PREMAFIN®

FINANZIARIA

Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

Unipol GRUPPO

PREMAfIN
FINANZIARIA
Holding di partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

SHARE CAPITAL

Fully paid-up share capital amounting to Euro 480,982,831.02

Economic/Administrative Business Registration No BO-504211

Business and Trade Register and tax code 07416030588

VAT no 01770971008

REGISTERED OFFICE

BOLOGNA - Via Stalingrado 37

Tel. 051 5016111

Fax 051 5076602

SECONDARY OFFICE

20121 MILANO - Via Daniele Manin 37

Tel. 02/667041

Fax 02/66704832

The company forms part of the Unipol Insurance Group, listed with no. 046 on the Register of Insurance Companies.

Management and coordination : Unipol Gruppo Finanaziario S.p.A.

OFFICERS

BOARD OF DIRECTORS

Pierluigi Stefanini	*Chairman*
Piero Collina	*Vice Chairman*
Roberto Giay	*Chief Executive Officer*

Giovanni Antonelli
Rino Baroncini
Milva Carletti *
Carlo Cimbri
Silvia Cipollina
Ernesto Dalle Rive
Marco Pedroni
Germana Ravaioli *
Luigi Reale
Rossana Zambelli *

Annalisa Romano	*Company Secretary*

BOARD OF STATUTORY AUDITORS

Vittorio de Cesare	*Chairman*
Antonino d'Ambrosio	*Standing statutory auditor*
Domenico Livio Trombone	*Standing statutory auditor*
Alessandra Trigiani	*Alternate statutory auditor*
Stefano Conticello	*Alternate statutory auditor*

GENERAL MANAGER
Andrea Novarese

EXECUTIVE
charged with the preparation of the financial statements

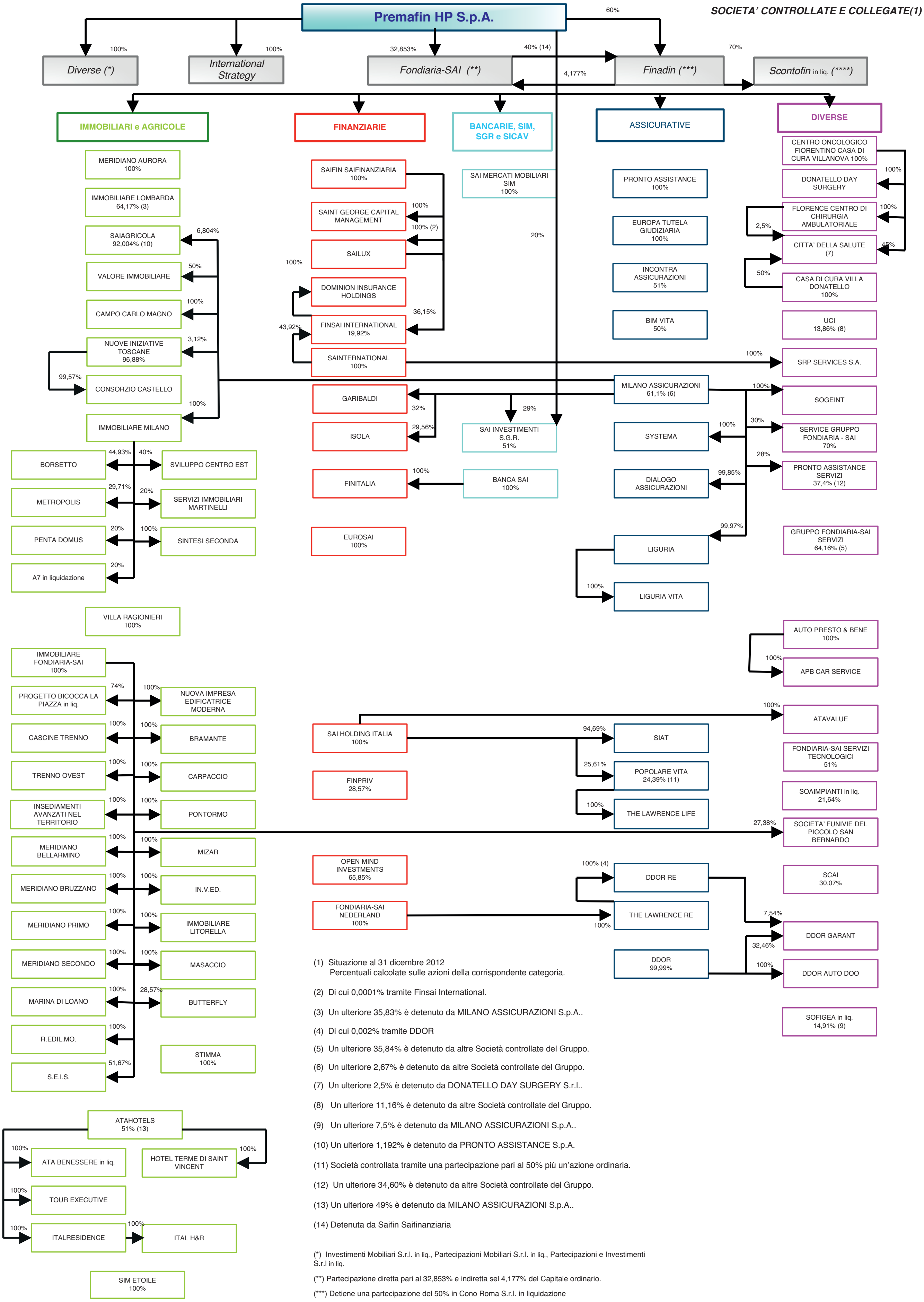
Giuseppe Nassi

INDEPENDENT AUDITORS
Reconta Ernst & Young S.p.A.

* Resigned on 24 April 2013

CONTENTS

SOCIETA' CONTROLLATE E COLLEGATE(1)



(1) Situazione al 31 dicembre 2012
Percentuali calcolate sulle azioni della corrispondente categoria.

(2) Di cui 0,0001% tramite Finsai International.

(3) Un ulteriore 35,83% è detenuto da MILANO ASSICURAZIONI S.p.A..

(4) Di cui 0,002% tramite DDOR

(5) Un ulteriore 35,84% è detenuto da altre Società controllate del Gruppo.

(6) Un ulteriore 2,67% è detenuto da altre Società controllate del Gruppo.

(7) Un ulteriore 2,5% è detenuto da DONATELLO DAY SURGERY S.r.l..

(8) Un ulteriore 11,16% è detenuto da altre Società controllate del Gruppo.

(9) Un ulteriore 7,5% è detenuto da MILANO ASSICURAZIONI S.p.A..

(10) Un ulteriore 1,192% è detenuto da PRONTO ASSISTANCE S.p.A.

(11) Società controllata tramite una partecipazione pari al 50% più un'azione ordinaria.

(12) Un ulteriore 34,60% è detenuto da altre Società controllate del Gruppo.

(13) Un ulteriore 49% è detenuto da MILANO ASSICURAZIONI S.p.A..

(14) Detenuta da Saifin Saifinanziaria

(*) Investimenti Mobiliari S.r.l. in liq., Partecipazioni Mobiliari S.r.l. in liq., Partecipazioni e Investimenti S.r.l in liq.

(**) Partecipazione diretta pari al 32,853% e indiretta sel 4,177% del Capitale ordinario.

(***) Detiene una partecipazione del 50% in Cono Roma S.r.l. in liquidazione

(****) di cui 19% SAILUX

KEY INFORMATION

These consolidated financial statements comprise 109 companies, inclusive of Premafin HP S.p.A. ("Premafin"), 16 of which operate in the insurance sector, 1 in the banking sector, 42 in the real estate and agricultural sector, 21 in the financial services sector, whilst the rest are miscellaneous service companies.

Fully consolidated companies amount to 81, of which 15 are consolidated using the net equity method, while the rest are measured at the carrying amout or consolidated using the proportional method.

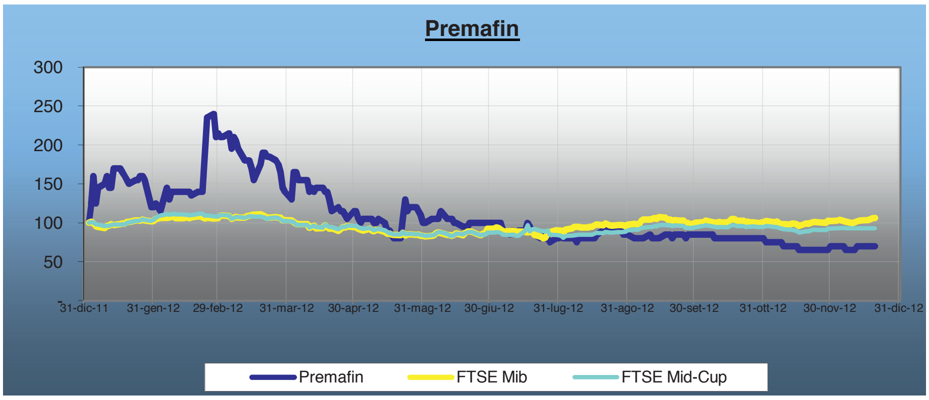
Subsidiaries total 88, of which 6 are directly controlled by Premafin.

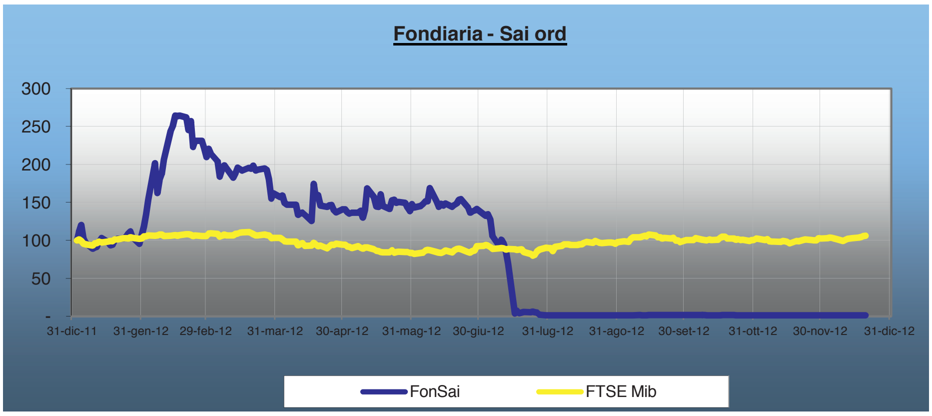
Companies with a foreign registered address total 18.

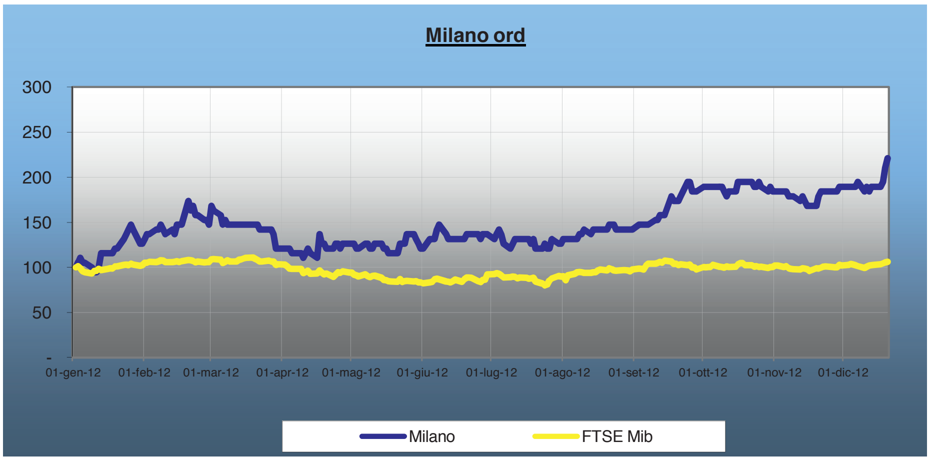
THE GROUP

(Values in Millions of Euro)	**31.12.12**	**31.12.11 IAS 8 Restated**	**31.12.11**
Result of the period (*)	(882)	(698)	(1,037)
attributable to the Group	(284)	(189)	(264)
Gross written premiums	10,033	10,814	10,814
of which:			
Gross written premiums Non-Life Business	6,421	7,060	7,060
Gross written premiums Life Business	3,612	3,754	3,754
Premiums arising from Investment products		54	54
APE	331	348	348
Non-Life Business Combined ratio	100.5%	101.9%	109.6%

SHARE PERFORMANCE







MAIN EVENTS IN 2012

<u>First quarter 2012</u>

- **10/01/2012:** With reference to Articles 227 and 228 of Legislative Decree 209 of 7 September 2005, Isvap sent a notification to Premafin and to Fondiaria-SAI S.p.A. ("Fondiaria-SAI") in which it requested these companies to submit urgently, by 23 January 2012, (then extended to 30 January), (i) in relation to Premafin, "…*an intervention programme aimed at ensuring an adequate recapitalisation of the subsidiary's capital in order to ensure an adequate solvency position, even in the future, of Fondiaria-SAI S.p.A. and its subsidiaries*" and (ii) as concerns Fondiaria-SAI, amongst others, "… *an intervention plan that outlines the actions that the company commits to implement in order to rectify the solvency position to an adequate level and in order to ensure adequacy of its solvency position in the future*";

- **29/01/2012**: Premafin and Unipol Gruppo Finanziario S.p.A. ("UGF") entered into an investment agreement (the "Investment Agreement"), concerning the taking on of mutual commitments in relation to the increase in share capital of Premafin by UGF. The share increase enabled Premafin and its subsidiary Finadin S.p.A. ("Finadin"), to participate in the share capital increase of Fondiaria-SAI that was approved as part of the implementation of the plan to merge by incorporation Fondiaria-SAI, Unipol Assicurazioni S.p.A., Premafin and, possibly, Milano Assicurazioni S.p.A. ("Milano Assicurazioni"), (hereafter the "Merger Plan"). The plan was subject to the fulfilment of certain required conditions by the following 20 July, including restructuring of Premafin's financial debt made in the context of a recovery plan pursuant to Article 67 paragraph 3(d) of the Bankruptcy Law (the "Restructuring Plan");

- **29/01/2012**: the Board of Directors of Fondiaria-SAI S.p.A. called an Extraordinary Shareholders' Meeting of the Company in first call for March 16, 2012 and if necessary in second call for March 19, 2012, in order to submit a rights issue based capital increase totaling Euro 1,100 million to Shareholders. The Board also renewed the appointment of the advisers Goldman Sachs and Studio Legale Carbonetti e Associati, in support of the examination and execution of the proposed merger;

- **19/03/2012**: Within the action plan requested by Isvap and in accordance with Artlcles 227 and 228 of Legislative Decree, the Extraordinary Shareholders' Meeting of Fondiaria Sai resolved a share capital increase against payment of up to Euro 1,100 milion. This resolution was cautiously confirmed - also in accordance with Article para. 8 of the Italian Civil Code - on 27 June 2012. The capital increase is first and foremost aimed at strengthening the Fondiaria-SAI Group's statement of financial position, ensuring the recovery of the solvency margin required by law and, more generally, the future solvency structure of the Group. This proposal is therefore part of an action plan as per Articles 227 and 228 of Legislative Decree 209/05, requested by ISVAP in communication of January 10, 2012, which noted the significant shortfall in the adjusted solvency margin of the Company. Therefore, the funds raised from the capital increase will be used to provide the Company with stable and lasting solvency, now and in the future;

- **19/03/2012**: the Board of Statutory Auditors of Fondiaria-SAI S.p.A. reported on a complaint filed by Amber Capital Investment on October 17, 2011 pursuant to Article 2408, paragraph 2 of the Italian Civil Code concerning alleged citable offences. The complainant requests clarification regarding the Atahotels operation, certain real estate transactions with related parties, real estate consulting services provided over a period of time by Mr. Salvatore Ligresti, fees paid for services provided by companies linked to the Ligresti family and, finally, the compensation paid to members of the Board of Directors during the period 2008-2010.

  At the Shareholders' Meeting of March 19, 2012, the Board of Statutory Auditors published the Report on the Company's website, which contains a detailed response to the questions raised.

- **30/03/2012**: the Board of Directors of Premafin:

  - Approved the financial statements as at 31 December 2011 which showed losses of circa Euro 440 million (of which approximately Euro 436 million is attributable to the impairment in the value of the total holding in Fondiaria-SAI) and net equity of around Euro 141 million;

  - Approved the Recovery Plan that provided for the recapitalisation of the holding company through a share capital increase reserved to UGF and, simultaneously restructuring of the terms and conditions of the Company's financial debt aimed at restructuring debt exposure and at reacquiring economic and financial equilibrium;

  - Called Ordinary and Extraordinary Shareholders' Meetings for the approval of the financial statements and of the proposed increase in share capital excluding option rights up to a maximum of Euro 400 million;

<u>Second quarter 2012</u>

- **13/04/2012**: a Special Meeting of Savings Shareholders of Fondiaria-SAI S.p.A., called at the request of a shareholder, met under the chairmanship of the Joint Representative of Savings Shareholders;

- **16/04/2012**: following UGF's proposal in relation to the maximum issue price of Premafin shares (Euro 0.195), and to the holding in Fondiaria-SAI reserved to UGF within the context of the Merger Plan (66.7%) – the Board of Directors of Premafin approved the terms of the share capital increase reserved to the same UGF (issue price equal to Euro 0.195 per share), and to other investors (issue price between Euro 0.195 and Euro 0.305 per share) only in case that one or more required conditions as stipulated in the Investment Agreement were not satisfied. On the same date, Ezio Maria Simonelli, assisted by Prof. Stefano Caselli, issued the certification report on the reasonableness of the Recovery Plan.

- **16/04/2012**: CONSOB requested the Board of Statutory Auditors of Fondiaria-SAI S.p.A., pursuant to Article 114, paragraph 5 of the Consolidated Finance Act (CFA), to make public certain information.

- **19/04/2012**: pursuant to Article 321 of the Code of Criminal Procedure ("*c.p.p*"), the Judge for preliminary investigations at the Court of Milan ordered the seizure of the Premafin shares registered in the name of The Heritage Trust and The

Evergreen Security Trust (the "Trusts"), in the context of criminal proceedings concerning market manipulation offenses, as referred to in Article 110 of the Criminal Code and Article 185 of Legislative Decree 58 of 1998 of the Consolidated law on finance, “Testo Unico Della Finanza” (CFA), concerning Premafin shares in the form of purchases of such shares carried out by companies related to the cited Trusts;

- **19/04/2012**: at the request of CONSOB, on April 16, 2012, pursuant to Article 114, paragraph 5, of Legislative Decree 58/98 (the CFA), the Fondiaria-SAI S.p.A. Board of Directors approved several supplements to the Directors’ Report at December 31, 2011, published on March 31, 2012 under Article 154-ter of the CFA and to the Remuneration Report published on March 31, 2012 under Article 123-ter of the CFA.These supplements and the related requests made by CONSOB in its communication of April 16, 2012 have been made public.

- **19/04/2012**: the Board of Directors of Fondiaria-SAI examined the appraisals and estimates hitherto made, with the support of the advisers, in relation to:

  (i) the combined business plan guidelines and possible synergies resulting from the merger with the Unipol Group, and

  (ii) the current and future pro-forma solvency margin of the company resulting from the proposed merger;

- **24/04/2012**: the Shareholders’ Meeting of Fondiaria-SAI S.p.A. approved the financial statements for 2011. During the presentation, the Chief Executive Officer provided updates on the examination of the facts outlined in the report by the Board of Statutory Auditors pursuant to Article 2408 of the Italian Civil Code, submitted in response to the complaint by the shareholder Amber Capital LP, referring to that disclosed to the market on April 19, 2012. It also indicated that a bankruptcy petition had been filed by the public prosecutor in Milan against Sinergia Holding di Partecipazioni S.p.A. and Imco Immobiliare Costruzioni S.p.A. The Fondiaria-SAI Group had undertaken real estate contracts with these companies, as described in the aforementioned report pursuant to Article 2408 of the Italian Civil Code. The Shareholders’ Meeting also appointed the Board of Directors and the Board of Statutory Auditors for the three financial years 2012, 2013 and 2014, i.e. until the Shareholders’ Meeting called to approve the financial statements for 2014;

- **26/04/2012**: the Competition Authority (“l’Autorità Garante per la Concorrenza ed il Mercato”, “AGCM”) resolved upon an investigation into the merger operation between the UGF group and the Premafin group and, at the same time, ordered the immediate suspension of the operation. It then subsequently decided, on 3 May 2012, that the manner by which the resolution to suspend the operation was to be implemented, as suggested in the meantime by the companies involved, was consistent with the content of the said resolution;

- **17/05/2012**: the Board of Directors of Premafin resolved to propose that the capital holding in Fondiaria-SAI to be reserved to Premafin shareholders other than UGF, for the purpose of the Merger Plan, should be between 0.98% and 1.66%. On 23 May, the Board of Directors of Premafin then resolved, after due consideration of the joint proposal submitted by Fondiaria-SAI and Milano Assicurazioni in response to UGF’s proposal dated 16 April, and on the basis of the specific assumptions made in the same proposal, in favour of a holding of 0.85% of Fondiaria-SAI’s capital to be reserved to Premafin shareholders other than UGF within the context of the Merger Plan;

- **24/05/2012**: Consob declared itself in favour of UGF's exemption from the obligation of a public offer ("OPA") in connection with the Merger Plan, subject to the withdrawal of the rights granted to the latter in favour of Premafin's major shareholders, (so-called "indemnity"), and reserved the right to consider the exemption not applicable if Premafin's major shareholders had to exercise their right of withdrawal upon the merger of Premafin in Fondiaria-SAI;

- **06/06/2012:** UGF made another proposal to Premafin, Fondiaria-SAI and Milano Assicurazioni that provided that in the context of the Merger Plan, UGF be assigned a holding amounting to 61% of the ordinary share capital in issue at the effective date of the Merger, as well as certain partial amendments with regards to the assumptions made in the Fondiaria-SAI - Milano Assicurazioni joint proposal of 23 May 2012. This proposal was conditional upon the fact that (i) agreements would be reached to forfeit the so-called "indemnity" obligations entered into by UGF and (ii) Premafin's major shareholders undertook not to exercise the right of withdrawal;

- **08/06/2012**: Mrs. Jonella Ligresti and Mr. Paolo Ligresti, as shareholders and directors respectively of Hike Securities S.A. and Limbo Invest S.A., then shareholders of Premafin, informed the latter about their irreversible decision that if they were, even if erroneously, to be considered as major shareholders in Premafin they would not forfeit the so-called indemnity obligations entered into by UGF and they would not enter into any commitment concerning the exercising of the right of withdrawal, in relation to the aforementioned companies;

- **10-11-12/06/2012**: the Boards of Directors of Premafin, Fondiaria-SAI and Milano Assicurazioni resolved in favour of defining further the merger operation on the basis of UGF's proposal in relation to the holding to be reserved to the same UGF (61%), as well as in relation to the other respective approved holdings, (other Premafin shareholders 0.85%, other Fondiaria-SAI shareholders 27.45%, other Milano Ass. shareholders 10.70%), of Fondiaria-SAI's ordinary share capital in issue at the effective date of the Merger ("Key Merger Values");

- **12/06/2012:** The Extraordinary Shareholders' Meeting of Premafin approved the proposal for a share capital increase up to a maximum of Euro 400 million reserved to UGF, or to other investors only in case that one or more of the required conditions stipulated in the Investment Agreement were not satisfied;

- **13/06/2012**: In accordance with the provisions of the Recovery Plan, Premafin, together with its financing banks, entered into a Debt Restructuring Agreement concerning the restructuring of the syndicated loan agreement dated 22 December 2004, as subsequently amended, and the debt arising from the early termination of the existing equity swap contract with UniCredit S.p.A. on Fondiaria-SAI shares (the "Debt Restructuring Agreement");

- **14/06/2012**: The Court of Milan declared Im.Co. S.p.A. in liquidazione ("IM.CO.") and Sinergia Holding di Partecipazioni S.p.A. in liquidazione ("Sinergia") bankrupt. Both companies were members of the Premafin Shareholders' Agreement (Patto di Sindacato) with a total holding equal to approximately 20% of the share capital;

- **15/06/2012**: ISVAP noted serious irregularities in the management of Fondiaria-SAI pursuant to Article 229 of Legs. Decree No. 209 of September 7, 2005, which provides for, in particular, the possibility of ISVAP to appoint an ad acta representative;

- **25/06/2012**: Within the remits permitted by law, Premafin agreed with UGF, with reference to what had been indicated by Consob in its notes dated 22 and 24 May 2012 regarding the exemption granted to the same UGF from the mandatory public offer (OPA) at the various phases of the merger operation with the Premafin-Fondiaria-SAI Group: (i) to amend the indemnity agreement entered into with UGF to limit the powers of directors that did not hold any Premafin shares at 29 January 2012 therein, (ii) to limit the right of withdrawal so that it is no longer available to major shareholders of Premafin, (iii) to amend/waive certain required conditions stipulated in the Investment Agreement;

- **26/06/2012**: Premafin was requested by the legal custodian of Premafin shares, held by the so-called Trusts, and that were subject to criminal seizure, to urgently call a shareholders' meeting in order to re-examine and possibly withdraw the resolution on the increase in share capital made by the shareholders' meeting of 12 June. Similarly, on 28 June 2012, Premafin was requested by shareholder LIMBO INVEST S.A. to urgently call a shareholders' meeting aimed at removing the directors in office;

<u>Third quarter 2012</u>

- **02/07/2012**: the Board of Directors of Premafin resolved to call a shareholders' meeting as requested by the legal custodian. It however clarified, in accordance with market transparency standards and also upon Consob's specific request, that respecting its contractual commitments, the Company anyway intended to implement the share capital increase reserved to UGF, subject to the realisation of the required conditions stipulated in the Investment Agreement, pending the forthcoming meeting.

- **05/07/2012**: Consob pronounced itself in favour of the inexistence of the obligation by part of UGF to hold a public offer in relation to the ordinary shares of Milano Assicurazioni within the context of the Merger Plan, and indicated that it considered the new indemnity commitments and the agreements reached on withdrawal between the parties to adequately meet the required conditions for the exemption from the public offer to also be extended to Premafin;

- **06/07/2012**: The meeting of the members of Premafin's Shareholders' Agreement, considering the Bankruptcy notices given in relation to IM.CO. and Sinergia, on the dissolution of the said Agreement pursuant to Article 72 of Royal Decree (R.D.) 267 of 16 March 1942, resolved, in accordance with Article 9.3(d) of the same Agreement to proceed with the early termination thereof;

- **09/07/2012**: Premafin and UniCredit approved by consensus both the shareholders' agreement as well as the investment agreement entered into in 2011;

- **12/07/2012**: CONSOB authorised the publication of the Prospectus for the ordinary shares and Class B savings shares rights offer, respectively for the holders of ordinary shares and Class A savings shares and the admission to trading on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. of the newly issued ordinary shares and Class B savings shares;

- **16/07/2012**: the public offer of options on Fondiaria-SAI's ordinary shares and saving shares commenced. It provided for the trading of option rights on the Stock Exchange up to 25 July;

- **19/07/2012**:

  -Premafin terminated the existing equity swap contract with UniCredit through the purchase of approximately 1% holding in Fondiaria-SAI and the taking on of the debt towards UniCredit;

  -Having agreed with Premafin that the required conditions contained in the Investment Agreement had been satisfied or otherwise waived, UGF subscribed to, and paid for, the increase in share capital of Premafin amounting to approximately Euro 340 million, hence becoming its controlling shareholding with a holding of circa 81% of its share capital, and as a result also acquired the control of the Fondiaria-SAI Group;

  -Premafin issued an interest free loan to Finadin that amounted to approximately Euro 38 million, with the objective of providing adequate resources to the subsidiary for the acquisition of the portion of Fondiaria-SAI's share capital issue to which it was entitled;

  -Premafin and Finadin subscribed to, and paid for, their respective portions of Fondiaria-SAI's share capital issue by fully utilising the proceeds from the share capital increase in Premafin that had been subscribed by UGF;

  -Upon the completion of Premafin's share capital increase by UGF, the so-called Phase I of Premafin's Debt Restructuring Agreement came into force;

- **01/08/2012**: the rights offer concluded of a maximum of 916,895,448 ordinary shares and a maximum of 321,762,672 new issue Fondiaria-SAI S.p.A. Class B savings shares, on the paid-in, divisible share capital increase, whose conditions were approved by the Board of Directors on July 5, 2012, in execution of the powers conferred to them by the Extraordinary Shareholders' Meeting of June 27, 2012;

- **09/08/2012**: the ratings agency Standard & Poor's improved the rating of Fondiaria-SAI S.p.A. to "B+" from "B" and of the principal subsidiary Milano Assicurazioni S.p.A., in addition to the subsidiary SIAT S.p.A., assigning also a "positive" Creditwatch (from the previous "developing");

- **23-28/08/2012**: the extraordinary shareholders' meeting, that was called upon the request of the legal custodian of the Premafin shares held by the so-called Trusts, did not convene, neither on the first nor on the second call, due to lack of quorum;

- **10/09/2012**: the rights offer concluded of a maximum new issue 916,895,448 ordinary shares and a maximum new issue 321,762,672 Class B savings shares on the paid-in share capital increase, whose terms and conditions were approved by the Board of Directors on July 5, 2012, in execution of the powers conferred by the Extraordinary Shareholders' Meeting of June 27, 2012;

- **12/09/2012**: ISVAP considered that the actions proposed or implemented by Fondiaria-SAI, following the operational irregularities uncovered by the Institute, were not suitable to correct the situation which led to the charges cited in the notice of June 15, 2012, prolonging – according to the Institute – the inability of Fondiaria SAI to remedy the violations and the relative effects.

Therefore, ISVAP – considering the requirements of Article 229 of Legs. Decree No. 209 of September 7, 2005 to be in place - appointed, in accordance with the provision, Mr. Matteo Caratozzolo as an ad acta representative of Fondiaria SAI.

- **18/09/2012**: subsequent to the Board of Directors of Premafin having been dissolved due to the resignation of the majority of the directors appointed by the shareholders on 16 and 17 July 2012, an ordinary shareholders' meeting was held for Premafin shareholders that appointed a new Board of Directors for the three years 2012-2014;

Fourth quarter 2012

- **14/11/2012**: the Board of Directors of UGF decided to commence the management and co-ordination activities in relation to Premafin and Fondiaria-SAI as well as to the companies subject to these companies' management and co-ordination;

- **20/12/2012**: the Boards of Directors of Premafin, UGF, Unipol Assicurazioni, FonSAI and Milano Assicurazioni, approved the plan for the merger by incorporation of Unipol Assicurazioni, Premafin and Milano Assicurazioni in Fondiaria-SAI;

- **20/12/2012**: the Board of Directors of Premafin approved the change in the registered address of the Company from number 2, via Guido d'Arezzo in Rome to number 37, via Stalingrado in Bologna;

- **21/12/2012**: As a result of the investigations carried out on the financial statements and the consolidated financial statements of Fondiaria-SAI and Milano Assicurazioni, and despite the disagreement shown by Premafin, Fondiaria-SAI and Milano Assicurazioni with the findings made; Consob confirmed that the financial statements and consolidated financial statements at 31 December 2011of the these companies were not compliant with the regulations governing their preparation. It demanded that the said companies disclose certain information pursuant to Article 154-ter, seventh paragraph of CFA, which information was then published in separate press releases on 27 December 2012.

NEW INSURANCE PRODUCTS

Non-Life insurance sector

- The **new motor TPL tariff** was available from December 1, 2012, which safeguards margins through redefining the portfolio, increasing the retention of the best clients and promoting new business. All premium differentiation based on "gender" was removed in accordance with the Judgment of the European Court of Justice of March 1, 2011.

- **Launch of the new product *Difesa Più Impresa fino a tre***. On September 1 the *Difesa Piu Impresa Fino a tre* product was launched which, based on 6 Guarantee pillars (Fire and Property, Theft and Robbery, Electronic and Electric Accidents, Third Party Liability, Legal Protection and Assistance) provides trades people and businesses which employ up to three persons basic coverage including all necessary guarantees to protect the business and with the option of adding further guarantees.

- Launch of the new ***Difesa Più Professioni Liberali, Tecniche and Sanitarie*** products. On September 1, the three *Difesa Piu Professioni Liberali, Tecniche and Sanitarie* products were launched, providing third party liability coverage in the professionals sector. In addition to professional TPL guarantees, employer TPL coverage is also provided (coverage of professionals following accidents reported by their employers), Legal Protection and Assistance.

- Launching of the new products Retail ***Più Fabbricati in locazione all'azienda*** (called ***Più Fabbricati in locazione all'azienda*** for the subsidiary Milano Assicurazioni). The *Retail Più Fabbricati* policy was launched on June 1, offering insurance for properties leased to third parties for commercial and/or industrial use against risks relating to "fire and property" and "third party liability";

- Launch of new product providing personal-life TPL cover. On June 1, the Group launched its ***Difesa per RC Vita Privata*** product, which covers third party liability for events of which personal life, family life and relationships. It is a pre-packaged offer with an extremely low fixed premium, aimed at individuals who are interested in entry-level insurance cover and are not looking to spend large amounts;

- **Launch of the new *Difesa per Grandi Infortuni* policy**. June 1 saw the launch of the *Difesa per Grandi Infortuni* product, which covers cases of Death and Permanent Disability of over 15%, and is aimed at customers who currently have no accident cover and with low levels of disposable income. The policy offers a high level of cover (Euro 200,000 of insured capital for Permanent Disability) for serious accidents that could threaten the policyholder's earning capacity.

- "**Big Game Infortuni**" operation. This policy offers accident cover – launched in the second quarter to customers with high disposable income and covers aspects not considered by social security entities and public welfare agencies.

- **Flat and Flat+ Fire/Theft guarantees package** offer. On April 1, two new packages, named *Flat and Flat+*, were introduced, offering Fire/Theft cover for cars for up to Euro 70,000 of insured capital. The offer provides an innovative tariff with

pre-determined premiums, broken down by amount of insured capital, vehicle age and region/province. The Flat+ package differs from the Flat in that it combines Fire/Theft cover with additional "Compact" pecuniary loss cover and legal expenses. The offer is designed to attract new customers and to build a more solid, profitable relationship with existing customers who:
- have only motor TPL cover;
- have cancelled their Fire/Theft cover in recent years;
- own a mid-/low-value car;
- intend to change vehicles and take out a new policy.

The Group also continued to restructure its product catalogue and areas covered, introducing the following major initiatives:

- **Overhaul of Home Insurance policies in 2012**. The Group is continuing to restructure its home insurance portfolio in relation to off-catalogue products with a view to encouraging people, by offering promotional guarantees and discounts, to take out its Retail Più Casa Classic product (called Difesa Più Casa for the subsidiary Milano Assicurazioni), which is currently on the market.

- **Overhaul of Accident policies in 2012**. The Group is continuing to restructure 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 (called Difesa Più Infortuni for the subsidiary Milano Assicurazioni), by offering special discounts, as well as creating dedicated supplements to update its old, no-excess policies.

- **Withdrawal of professional TPL policies** in 2012. The Group is withdrawing its obsolete professional TPL portfolio (policies taken out prior to January 1, 2005) by writing to customers advising them that their policies will not be renewed upon maturity. The activity was extended throughout 2012.

- **Restyling** of the **Retail Più Infortuni Classic** products (called **Difesa Più Infortuni** for the subsidiary Milano Assicurazioni). In December, the restyled version of the Retail Più Infortuni Classic product was launched which, among other amendments, removes any premium differentiation based on "gender" (in light of the European Court of Justice Judgment of March 1 2011) and of the clause concerning the non-provision of insurance to persons with mental illnesses (enacting ISVAP's call to apply the UN Convention of 13/12/2006 concerning Disabled Persons' Rights).

- **Introduction of the *Retail Più Casa Classic* product**. In the final quarter of 2012, the following features were incorporated into the Retail Più Casa Classic product (called Difesa Più Casa for the subsidiary Milano Assicurazioni):
  - **FQI addition** (Fire Excess), developed to offer further product modularity, offering more competitive;
  - **Earthquake additions**, developed to redefine the position of the Company, based on the increasing market demand for earthquake coverage (new commercial lever).

Life insurance sector

- Launching of the second edition of the Valore Certo 4.40% product - edition 6/2012. From June 5, 2012 and for a placement period concluded on June 25, 2012, an updated version of the single premium product Valore Certo 4.4% was available to Customers (only for individuals).

- Launching of the first edition of the Valore Certo 4.40% product - edition 6/2012. From March 20, 2012 and for a placement period concluded on April 23, 2012, an updated version of the single premium product Valore Certo 4.4% was available to Customers (only for individuals). The new version of the product, with the payment of a single premium in advance, guarantees the client a very interesting return through the payment of 5 coupons of 4.40% of the net premium invested.

- As from April, the Group launched a new product on the market, OPEN DINAMICO which consists of two versions. The first version is a Single Premium product, to which the Regular Premium version was added in May (OPEN DINAMICO PAC). Open Dinamico is a multi-line product that combines characteristics of unit linked products, (that, depending on the performance of international equity markets, may offer high returns in the medium/long term), and of those of revaluable products that are linked to separate managed funds (stability and consolidation of annual returns, minimum guaranteed return upon contractual maturity).

PREMAFIN FINANZIARIA S.p.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENT AT 31 DECEMBER 2012

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

INTRODUCTION

The Group's operations in 2012 were characterised by a series of events of an extraordinary nature mostly related to the need at Fondiaria-SAI, and subsequently at Premafin, to put in place an intervention plan aimed at ensuring an adequate recapitalisation of the insurance company with the scope of rectifying the solvency position to an adequate level and of ensuring adequacy of its solvency position in the future.

This background led to Premafin entering into the Investment Agreement with UGF on 29 January 2012 with the purpose of implementing the Merger Plan between Fondiaria-SAI, Unipol Assicurazioni S.p.A., Premafin and, possibly, Milano Assicurazioni S.p.A.

The above agreement allowed the Group to achieve, amongst others, the following strategic objectives:

- Finalise a recovery plan for Premafin with the objective of urgently recapitalising the company, aimed at securing its control on its principal asset, constituted by the holding in Fondiaria-SAI, as well as at rebalancing its economic and financial position hence safeguarding the company's going concern;
- Complete an urgent recapitalisation of the insurance company Fondiaria-SAI with the objective of strengthening the capital position of the group to which it belongs that ensures rectification of the solvency margin to the levels required by law, and at a more general level, structural future solvency of the same;
- Through the Merger Plan, offer to the shareholders of Premafin, Fondiaria-SAI and Milano Assicurazioni the opportunity to become shareholders of the incorporating company Fondiaria-SAI, which is planned to be an aggregating hub for leading local insurance companies.

The Merger Plan has allowed the creation of a leading national operator that is able to compete effectively with the main local and European operators and to generate, in time, value to all the shareholders of the companies involved, whilst retaining in our country a significant portion of the Italian financial system, and at the same time enabling the Group's capital and financial soundness position to be strengthened.

The main corporate and operational events of financial year 2012, that were subject to extensive and numerous information communications to the market, have been detailed in the preceding section "Main events during 2012".

Adjustment to the 2012 consolidated financial statements following CONSOB request of March 17, 2013, Protocol No. 13032791

On April 17, 2013, CONSOB requested the Company pursuant to Article 114, paragraph 5, of Legislative Decree No. 58/98 to issue press release outlining the reasons why the Board of Directors of the Company, in the consolidated financial statements approved on March 21, 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. 18431 of December 21, 2012.

It is recalled that CONSOB Decision of December 21, 2012 contested the accounting of part of the revaluation of the Motor TPL claims provisions (concerning years prior to 2011), which, according to CONSOB, should have been considered as a correction of an error of the previous year with the restatement of the 2010 Financial Statements, in compliance with IAS 8.

Therefore, the Group should have adjusted the 2010 Consolidated Result, improving consequently the 2011 Consolidated Result, for an amount at least equal to the under-provision in the Motor TPL claims provision highlighted by ISVAP in the Note of significant issues of September 29, 2011 for Fondiaria-SAI and of November 17, 2011 for Milano Assicurazioni S.p.A. and however for at least Euro 517 million, excluding the related tax effect.

Premafin, similar to Fondiaria-SAI and Milano Assicurazioni, has promptly complied with the request of CONSOB, although not in agreement with its position, publishing in the press release of December 27, 2012 the pro-forma consolidated financial statements, together with comparative figures, of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity for the years 2010 and 2011.
Further information is provided in the section "Other information" which also reports the full content of the above mentioned press release, to which reference should be made.

That said and having regard to:

- CONSOB's position on the matter;
- the abovementioned CONSOB resolution, that required that "*furthermore, the declaration of non-compliance and the supplementary information mentioned above must be supplied together with the 2012 annual financial statements, as well as with any other documents that are made available to the public and that report accounting information in relation to Premafin balances as at 31 December 2011*";
- the position taken by subsidiary Fondiaria-SAI on the matter;
- the new information subsequently provided by subsidiary Fondiaria-SAI upon amending its consolidated financial statements that were approved on last 20th of March;

the Board of Directors of Premafin, in order to conform with CONSOB's requirements, has considered it appropriate, similar to its subsidiary, to amend its consolidated financial statements that had been approved on the last 21st of March, by including, where applicable, in the management report on the consolidated operations, in the financial statement schedules and in the explanatory notes, together with those originally published, the above mentioned comparative information for 2011 (consistent with the information already published on the last 27th of December) as restated by applying IAS 8, paragraph 42.

Therefore in the present report, financial statements and explanatory notes reference, within the additional disclosures, to "IAS 8 Restated" figures refers to those made in accordance with CONSOB Decision No. 18430 of December 21, 2012.

It is again highlighted that this change did not impact the 2012 balance sheet and income statement, which was unchanged and on which the restatement of the 2011 figures did not have any impact on these figures.

OPERATIONAL PERFORMANCE

The Income Statement for the year to 31 December 2012 reflects a consolidated loss of Euro 882.2 million, of which Euro 283.6 million is attributable to owners of the parent Company, compared with Euro 698.1 million (as restated, originally reported as Euro 1037.1 million) for the year to 31 December 2011, of which Euro 188.1 million is attributable to the owners of the parent Company (as restated, originally reported as Euro 263.6 million).

The Statement of Comprehensive Income reflects, in turn, a profit of Euro 56.1 million, including a loss of Euro 94.1 million attributable to owners of the parent Company, compared to a loss of Euro 1,394.6 million (as restated, originally reported as Euro 1,733.6 million) for the year to 31/12/2011, of which Euro 315.6 million is attributable to owners of the parent Company (as restated, originally reported as Euro 391.1 million).

The major factors contributing to the loss included:

- the technical performance of the Non-Life classes featured a strong current operating performance, particularly in the Motor classes and in terms of claims reported and frequency.
  For the General classes, in addition to the decrease in premiums written, the impact of the extraordinary events in the first half of the year are considered, including the earthquake in Emilia Romagna, in addition to the climatic events of last winter.
  In relation to the prior year claims, the annual analytical review of the inventory provisions highlighted the need for significant strengthening of these provisions, consolidating the particularly prudent approach already implemented in the previous year, particularly in the Third Party Liability Classes (Motor TPL and General TPL).
  This resulted in a Combined Ratio of approx. 104% compared to 112% (figure not restated) in the previous year.

- more significant write-downs of available for sale financial assets, amounting to Euro 188 million compared to Euro 341 million at 31/12/2011.

  Of these, Euro 40 million relates to the write-down of the investment held in Compagnia Aerea Italiana and Euro 46 million to the investment held in Mediobanca.

  In particular, for this latter, the normal criteria applied which identifies the significant thresholds for the purposes of impairment were waived, considering the commitment with the Anti-Trust Authority to sell the direct and indirect shareholdings in Mediobanca by December 31, 2013 (in accordance with order C/11524 in relation to the “Evaluation of the measures to be prescribed” and, in particular, with reference to the “Measures relating to the shareholding ties of the post-merger entity with Mediobanca”, initiated on April 26, 2012 by the Supervisory Authority). The disposal of the investment held by the Fondiaria SAI Group in Mediobanca must be completed by the end of 2013 and therefore it was considered appropriate to adjust the investment to market value, recognising the entire negative AFS reserve to profit and loss.

- property write-downs including depreciation for the year amounting to Euro 371 million (Euro 343 million in 2011). The write-downs are consequent of the ongoing crisis in the sector, in turn impacted by the widerrecession, which renders property investments less liquid and profitable compared to the past.

In addition, the type of assets held by the Group must be considered, which include some significant holdings (such as the Castello Area in Florence and the property owned and utilised by the subsidiary Atahotels) whose valuation methodologies based on asset yields have significantly impacted the recoverable value.

- the absorption of the effects of the bankruptcy of Im.Co S.p.A. and Sinergia Holding di Partecipazioni S.p.A., in relation to receivables due from the two companies and their subsidiaries. Following the bankruptcy declaration, Fondiaria-SAI wrote-down its receivables by a further Euro 85.8 million, in addition to the writedown made at December 31, 2011.;
- the impairment of goodwill recorded in the consolidated financial statements totaling Euro 260 million compared to Euro 101 million in 2011, principally relating to Popolare Vita and Milano Assicurazioni.
- the continued poor performance of the diversified sector companies.

In the interest of providing complete information, adjustments are shown by including both the restated 2011 balances, as well as the balances originally published.

It is noted that the adjustments made to 2011 balances had no impact on the balance sheet and on the income statement for financial year 2012.

Premafin also contributed the following additional items to the consolidated result:

- provision for contractual risks of Euro 31.6 million;
- overheads and other recurrent and non-recurrent expenses amounting to Euro 14.4 million;
- financial charges of Euro 19.6 million;
- extraordinary charges relating to debt restructuring amounting to Euro 2.0 million.

CONSOLIDATED INCOME STATEMENT

Nella tabella c'è un asterisco che non viene riportato nella parte discorsiva

(Values in Millions of Euro)	**31.12.12**	**31.12.11 IAS 8 Restated**	**31.12.11 Original**	**Change**
Net premiums	9,967.2	10,527.3	10,527.3	(560.1)
Net insurance claims	(9,357.6)	(9,723.8)	(10,240.8)	366.2
Net commissions	8.1	8.6	8.6	(0.5)
Net income from investments (*)	387.9	299.9	299.9	88.0
Gains and losses on financial instruments at fair value through profit or loss	544.6	304.0	304.0	240.6
Management expenses	(1,691.2)	(1,870.6)	(1,870.6)	179.4
Investment and interest management expenses	(96.1)	(107.0)	(107.0)	10.9
Other income and other expenses	(776.1)	(380.5)	(380.5)	(395.6)
NET PROFIT (LOSS) BEFORE TAX	**(1,013.2)**	**(942.1)**	**(1,459.1)**	**(71.1)**
Tax	129.2	213.1	391.1	(83.9)
NET PROFIT	**(884.0)**	**(729.0)**	**(1,068.0)**	**(155.0)**
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	1.8	30.9	30.9	(29.1)
CONSOLIDATED PROFIT (LOSS)	**(882.2)**	**(698.1)**	**(1,037.1)**	**(184.1)**
attributable to the owners of the parent	**(283.6)**	**(188.1)**	**(263.6)**	**(95.5)**
attributable to non-controlling interests	**(598.6)**	**(510.0)**	**(773.5)**	**(88.6)**

Pursuant to CONSOB Communication No. DEM/6064293 of July 28, 2006 and CESR recommendation in relation to alternative performance indicators it is reported that the principle indicators utilised in the present report are in line with best market practices and the principle academic theories. Where indicators are utilised which are not in accordance with the previous requisites stated, the necessary information is provided in order to understand the basis of the calculations utilised.

The principal factors affecting the economic and financial performance in 2012 were as follows:

- The **consolidated result** was a loss of Euro 882,2 million (restated loss of Euro 698,1 million in 2011, original loss of Euro 1,037,1 million), of which Euro 283,6 million attributable to the Group and Euro 598,6 million attributable to minority interests.
- The **overall technical performance in the insurance sectors** report a reduction in the premiums written in the Non-Life insurance sector (-9.1%) and in the Life insurance sector (-3.8%). In the Non-Life sector this follows the effects of portfolio selection and improvement in portfolio quality, and in the Motor Class, the reduction in insured vehicles.
- The **Non-Life insurance sector** recorded a pre-tax loss of Euro 574 million, compared to a restated pre-tax loss of Euro 536 million in 2011 (original loss of Euro 1,079 million).

  Premiums written in the Motor TPL Class recorded a decrease of 9.1% on 2011, also due to the restructuring policies of the multi-claims portfolio and the continuing impact of the effects of the "Bersani" regulations which have significantly reduced the discretionary power of the "Bonus Malus" system. The market also continues to be impacted considerably by a significant drop in new vehicle registrations.

  Current operational activity returned a strong result, with a reduction in the number of claims reported, following the implementation of a more stringent settlement process by the Company to deal with the high number of fraudulent claims which have afflicted the sector.

  The prior year claims provisions continues to be impacted by the year-end inventory taken by the loss adjustors network, which significantly impacted the Third Party Liability Classes (Motor TPL and General TPL). Therefore, against a significant improvement in the current generation claims/premiums ratio, the strengthening of the residual load by the loss adjustors network resulted in an overall combined ratio of 104%. On the other hand, the earthquake which hit the Emilia Romagna region in May and June 2012 significantly impacted the Fire Class, increasing the current year claims/premiums ratio. The cost of these claims was however largely recovered through reinsurance claims excess. Particularly good results were achieved however by the Accident, Legal Protection and Assistance classes. The result for the sector is also affected by impairments of Euro 126 million on available-for-sale financial instruments (Euro 159 million in 2011).

- The **Life insurance sector** reports a pre-tax loss of Euro 39 million (loss of Euro 100 million in 2011).
  The premium performance reflects the general market trends, both for the more pension-based policies and for the capitalisation policies with a greater financial content, indicative of the economic difficulties both for households and businesses. The poor performance in premiums written continues, although this contraction was contained in the final part in the year. The level of redemptions was particularly significant at approx. Euro 5 billion, compared to Euro 2.9 billion in the previous year, against which the companies of the Group limited the related liquidity risk following the realisation of the underlying financial assets.
  However, the volatility of the financial markets did not permit the realisation of significant gains, which were only realised at the beginning of the year.
  The results for the sector also reflect, on the Income Statement, not passing on to Life policyholders capital losses on Greek government bonds. The share of the capital losses recorded at the end of 2011 attributable to Life policyholders was partially passed on, in accordance with the guaranteed minimums. As a result of the Greek government bond swap and the resulting allocation of the same outside segregated funds (in accordance with the regulator's guidance), it was no longer possible to pass on these losses. The impairment losses on AFS financial instruments amounted to Euro 58 million (Euro 208 million in 2011). The result for the sector was also impacted by the write-down of goodwill recorded in the subsidiary PopolareVita for Euro 159 million (Euro 101 million in 2011);
- The **Real Estate sector** reports a pre-tax loss of Euro 238 million (loss of Euro 204 million in 2011), principally due to the impairments. Impairments and depreciation were recorded totaling approx. Euro 222 million compared to Euro 221 million in the previous year. This is due to the specific nature of the property owned in the sector (development projects, land and hotel resorts), in which the underlying economic conditions determined a recoverable value significantly lower than the previous year, given the strong illiquidity and reduced returns which characterised some assets held.
  In 2012 no significant gains were made: operations focused on restructuring and cost control. The sector also suffered from the write-down of the receivable with Im.Co (for Euro 3.8 million), following the bankruptcy on June 14 relating to the real estate development in S. Pancrazio Parmense and the full write-down of the advances, for Euro 7.2 million, provided by the subsidiary NIT to Europrogetti on activities linked to the Castello area in Florence.
  The net result for the sector does not include the capital gain from the disposal of the equity investment in IGLI for approx. Euro 2.3 million, which was recognised to profit/(loss) from discontinued operations.

- The Other Activities sector, which includes, apart from Premafin, companies that operate in the financial, asset management and hotel business, has registered losses before tax of Euro 162 million (losses of Euro 102 million at 31/12/2011). Premafin also contributed the following additional items to the consolidated result:
  - provision for contractual risks of Euro 31.6 million;

- overheads and other recurrent and non-recurrent expenses amounting to Euro 14.4 million;
- financial charges of Euro 19.6 million;
- extraordinary charges relating to debt restructuring amounting to Euro 2.0 million.

The negative result is also attributable to Atahotels and to healthcare facilities properties that, despite the ongoing renovations, still register negative discrepancies between costs and revenues.

Further contibuting to the result, was the negative impact on BancaSai's results of the impairment losses on receivables due from the ImCo – Sinergia Group amounting to approximately Euro 17 million.

Impairment losses on AFS financial instruments amounted to approximately Euro 4.3 million.

- Total **management expenses** continued to decrease, from Euro 1,887 million in 2011 to Euro 1,707 million at 31/12/2012, also due to the reduction in premiums and a consequent decrease in intermediary costs. In the Non-Life sector these costs, net of those strictly related to the management of the investments, amounted to Euro 1,397 million and represent 21.8% of premiums (Euro 1,568 million in 2011, equal to 22%), while in the Life insurance sector the total costs, net of those strictly related to the management of the investments, amounted to Euro 198 million and accounted for 5.5% of premiums (Euro 193 million in 2011, equal to 5.1%).
- The net commissions for financial services amounted to Euro 8 million (Euro 9 million in 2011) and almost exclusively refers to the diversified sector in which the subsidiary BancaSai operates.
- **Net income from financial instruments recorded at fair value through profit and loss** amounted to Euro 545 million compared to Euro 304 at December 2011. This account includes the net income from financial assets where the risk is borne by the policyholders (positive for Euro 561 million although offset by the correlated increase in net charges relating to Life sector claims) and residually the adjustment to the fair value of financial instruments belonging to the sector.
- **Net charges from investments in subsidiaries, associates and joint ventures** were Euro 15 million (net charges of Euro 5 million at 31/12/2011) and principally refer to the contribution of the associated companies Garibaldi S.c.a. and Isola S.c.a concerning the property development projects at Porta Nuova, Milan. Profits are only achieved by these companies through the completion of construction activities and the consequent sale of property. The negative impact is therefore temporary and should be reabsorbed on the conclusion of the marketing activities and on the achievement of the objectives of the project business plan;
- Excluding the contribution of the net income deriving from financial instruments at fair value through profit or loss, **the total net income from investments**, including net charges from investments in subsidiaries, associated companies and joint ventures of Euro 15 million, amounted to Euro 308 million (Euro 209 million at 31/12/2011). Interest income contributed Euro 824 million, other net income Euro 65 million, net gains to be realised Euro 63 million and valuation losses, net of the relative revaluations, approx. Euro 550 million. For these latter, we highlight the above-stated Euro 188 million of impairments on AFS financial instruments and Euro 353 million of impairments and depreciation on property investments.

  Interest expense amounting to Euro 80 million (Euro 91 million at 31/12/2011) refers almost entirely to financial debt.

- **Other revenues and costs** amounted to a net charge of Euro 776 million (Euro -381 million at 31/12/2011). The account includes amortisation and depreciation on tangible and intangible assets totaling approx. Euro 55 million (Euro 58 million in 2011), impairments on goodwill of Euro 260 million and impairments on property, plant and equipment of Euro 19 million (Euro 14 million concerning buildings for business activities). The account also includes write-downs of approx. Euro 86 million on receivables from the bankrupt Im.Co-Sinergia Group.
- The **profit on discontinued operations** was Euro 1.8 million (Euro 30.8 million in 2011) and includes Euro 2.3 million relating to the sale of the investment held in IGLI S.p.A. completed at the beginning of the year.

- The **income tax** for the year amounted to income of Euro 129 million (restated income of Euro 213 million in 2011, original income of Euro 391 million), due to the effect of the net deferred tax assets recognised. The non-recognition of deferred taxes on the AFS shares recognised in the profit and loss and tax exempt resulted in a lower fiscal benefit compared to the calculation based on the pre-tax loss utilising the normal tax rates. Contributing to this is the profit, net of the consolidation adjustments, of the foreign subsidiaries with significantly lower tax rates such as Lawrence Re and DDOR Novi Sad.

The result for the period was not impacted by significant non-recurring events or any other events which are not in the ordinary course of business.

COMPREHENSIVE INCOME STATEMENT

A summary of the Comprehensive Income Statement as established by Isvap Provision No. 2784 of 2010 which amended Isvap Regulation No. 7 of 2007 and established an obligatory table is reported below:

(Values in Millions of Euro) **STATEMENT OF COMPREHENSIVE INCOME**	**31/12/2012**	**31/12/2011 IAS 8 Restated**	**31/12/2011 Original**
CONSOLIDATED PROFIT (LOSS)	**(882.2)**	**(698.1)**	**(1,037.1)**
OTHER COMPREHENSIVE INCOME	**938.3**	**(696.5)**	**(696.5)**
TOTAL COMPREHENSIVE INCOME	**56.1**	**(1,394.6)**	**(1,733.6)**
attributable to the owners of the parent	(94.1)	(315.6)	(391.1)
attributable to non-controlling interests	150.3	(1,078.9)	(1,342.5)

The improvement in the Comprehensive Profit and Loss, which reports a profit of Euro 138 million, is principally due to the significant changes in the available for sale financial instruments portfolio due to the stock market recovery in 2012 compared to December 31, 2011.

PREMIUMS WRITTEN

The consolidated premiums written amounted to Euro 10,033 million compared to Euro 10,814 million in 2011, a decrease of 7.22%.

(Values in Thousands of Euro)	**31-dec-12**	**31-dec-11**	**change %**
DIRECT BUSINESS			
Non-Life Business	6,417	7,055	(9.04)
Life Business	3,611	3,753	(3.78)
Total Direct Business	**10,028**	**10,808**	**(7.22)**
INWARD BUSINESS			
Non-Life Business	4	5	(20.00)
Life Business	1	1	0.00
Total Inward Business	**5**	**6**	**(16.67)**
TOTAL	**10,033**	**10,814**	**(7.22)**
of which:			
Non-Life Business	6,421	7,060	(9.05)
Life Business	3,612	3,754	(3.78)

* * *

ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2012

INTERNATIONAL ECONOMIC OVERVIEW

In the second half of 2012, the global economy remained weak. The international trade forecasts for the current year were revised downwards: in 2013, the recovery is expected to remain weak and extremely uneven among regions and countries, while global economic growth should strengthen in 2014.

According to the most recent OECD estimates, global output in 2012 slowed on average to 2.9%, with the current year signaling a recovery to 3.4%. Activity should improve at varying rates across the divergent economies: 2% in the United States and slightly under 1% in Japan and in the United Kingdom, against a fresh slowdown in the Eurozone.

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

	OECD			Consensus Economics	
	2012	**2013**	**2014**	**2012**	**2013**
GDP					
World	2.9	3.4	4.2	-	-
Advanced countries					
Euro Area	(0.4)	(0.1)	1.3	(0.5)	(0.1)
Japan	1.6	0.7	0.8	1.8	0.6
United Kingdom	(0.1)	0.9	1.6	(0.1)	1.1
United States	2.2	2.0	2.8	2.2	1.9
Emerging countries					
Brazil	1.5	4.0	4.1	1.1	3.4
China	7.5	8.5	8.9	7.7	8.1
India (1)	4.5	5.9	7.0	5.5	6.5
Russia	3.4	3.8	4.1	3.6	3.4
World trade (2)	2.8	4.7	6.8	-	-

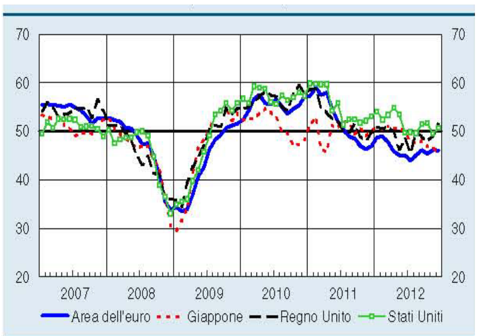
Source: OECD, Economic Outlook No. 92, November 2012.
Consensus Economics, December 2012; Bank of Italy, Economic Bulletin No. 71 of January 2013.

(1) The forecasts of the Economic Outlook refer to the fiscal year, beginning in April of the year indicatedBeni e servizi

(2) Goods and services

Graph 1 – Industrial production in principal advanced economies (1)

GRAFICO NON TRADOTTO



Source: Thomson Reuters Datastream and Markit.

a) Purchasing Managers Index (PMI) for the Manufacturing sector.

USA

GDP growth in the US rose to 3.1% in the third quarter from 1.3% in the previous period (source: Bank of Italy –Bulletin No. 71 of 18/1/2013): the improvement in residential construction and the increase in public expenditure and stock level accumulation more than offset the drop in fixed production investment and the slowdown in private consumption.

Asia, Cina e Giappone

In Japan, in the third quarter of 2012 GDP saw a fresh and more pronounced drop of 3.5% on the preceding quarter (-0.1% in the second): the significant drop in export sales and the reduction in business and household consumption contributed.

In 2012, economic activity in the major emerging economies continued to slow, reflecting global economic developments - in some cases partially offset by robust internal demand levels. In China, growth in the third quarter of last year was 7.4% on the corresponding period (+7.6%), supported by consumption spending and infrastructure investment on the basis of government plans. In India, the slowdown in activity in the same period was sharper (to +2.8% from +3.9%), while growth in Brazilian GDP remained contained, although strengthening on the back of net exports and consumption figures, increasing from 0.5% to 0.9%.

According to the most recent indicators, in the fourth quarter, the economic outlook of the major advanced economies outside of the Eurozone remained fragile and featured uneven performances.

Eurozone

The reduction in Eurozone GDP in the third quarter of 2012 (-0.1% on the previous period, the second consecutive contraction, although more contained than expectations) was impacted by poor internal demand, reducing from the middle of 2011: gross fixed investment reduced (-0.6%), while household consumption again stagnated. Exports continued to increase (+0.9%).

The managers surveyed in December by Consensus Economics for 2013 estimated an average reduction in GDP of 0.1%, lower than the 2012 forecasts (-0.4%); the divergence in estimates remained however very wide, testament to the uncertainty which surrounds the Eurozone outlook.

In the final months of 2012, consumer price inflation in the Eurozone reduced to 2.2% in December, particularly due to the significant reduction in energy prices.

Graph 2 – Eurozone inflaction (1)

(12 months % change)

Source: workings on Eurostat and ECB data.

(1) Consumer Price Index

In relation to the Eurosistema, the Board of the European Central Bank on January 10 maintained the rate fixed on principal refinancing operations at 0.75%. In the meeting at the beginning of December, the Board also decided to continue to conduct all refinancing operations through fixed price tenders with full satisfaction of demand until considered necessary and, in any case, at least until the beginning of July 2013.

Following the negotiations with the Greek Government and the finalisation of the second financial support programme to reduce the Greek public debt to sustainable levels, concerns for a further European sovereign debt crisis reduced.

Finally, the Euro in 2012 strengthened against the major currencies, reflecting the significant evaporation of uncertainty concerning the solidity of the European Monetary Union (EMU), in addition to the more expansive monetary policy pursued by the United States. Between the beginning of October 2012 and the middle of January 2013, the Euro strengthened by 3.2% against the US Dollar and by 17.6% against the Japanese Yen: in effective nominal terms, the strengthening was 3.2%.

THE ITALIAN ECONOMY

In the initial months of 2013, no signs of a reversal in the economic cycle emerged, although the recession weakened from the second half of 2012. In the third quarter of 2012, Italian GDP contracted at a much reduced rate (-0.2% compared to -0.7% and -0.8% respectively in the second and first quarters of 2012).

According to the latest available estimates, Italian GDP in 2012 reduced 2.1%, in line with the July forecast.

Table 2 – GDP and principal components

(quantity at linked prices; seasonally adjusted data and adjusted for work days; percentage change on the previous period)

	2011	2011		2012	
	Q 4	(1)	Q 1	Q 2	Q 3
GDP	(0.7)	0.4	(0.8)	(0.7)	(0.2)
Total imports	(2.6)	0.6	(3.5)	(0.5)	(1.4)
Domestic demand (2)	(1.6)	(1.0)	(1.7)	(1.2)	(0.8)
National consumption	(1.0)	(0.1)	(1.1)	(0.8)	(0.8)
Household spending	(1.2)	(0.1)	(1.4)	(1.2)	(1.0)
Other spending (3)	(0.6)	(0.8)	(0.1)	0.1	(0.3)
Gross capital investments	(2.6)	(1.8)	(4.1)	(2.0)	(1.4)
Constructions	(0.7)	(2.6)	(3.6)	(1.2)	(1.4)
Other investment assets	(4.6)	(1.0)	(4.8)	(2.9)	(1.4)
Change in inventories and goods of value (4)	(0.3)	(0.5)	-	(0.1)	0.2
Total exports	0.5	6.0	(0.5)	1.0	0.5

Source: Istat and the Bank of Italy (economic bulletin No. 71/2013).
1) *Data not adjusted for the number of work days..*
2) *Includes the change in inventories and goods of value.*
3) *Public administration and non-profit institutions serving households.*
4) *Contributions to GDP growth on the previous period; percentage points.*

Based on the available information, economic activity should remain weak also in the first quarter of 2013. The GDP estimate for the current year was revised downwards (from -0.2% to -1%), due to the weakening internationally and the continued industrial production fragility over recent months.

In the autumn of 2012 inflation, based on the national consumer price index, gradually reduced, standing at 2.3% in December.

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 2012 amounted to Euro 75.6 billion (Euro 81.9 billion in 9M 2011), a decrease of approx. 7.7% on the same period of 2011.

The Non-Life portfolio, which totaled approx. Euro 25.2 billion, decreased by approx. 2%, accounting for 33.3% of the total portfolio (31.4% in the same period of 2011). Life insurance premiums amounted to approx. Euro 50.4 billion, a decrease of over 10%, with a percentage of the overall Non-Life and Life portfolio amounting to 66.7% (68.6% in the same period of 2011).

2013 should see improvement in insurance sector premiums globally, on the back of an improved economic environment, although remaining weak in terms of margins.
In particular, non-life sector margins are not expected to recover quickly: although on the one hand technical results should improve slightly on most markets in 2013 and 2014, on the other hand investment gains will remain contained throughout 2013.
Only an increase in tariffs and interest rates, on the basis of a study carried out by Swiss Re on the outlook for the insurance sector (see “The Italian insurance market: opportunity in the land of the Renaissance", Swiss Re Economic Research & Consulting - August 2012), will facilitate a recovery, although contained, of profitability.

It also states that the Italian market, however, will not see the beginning of a recovery until 2014: against strong global growth in direct premiums for the Non-Life classes estimated at 3.5% in 2013, followed by 4.3% in 2014, progress for the advanced economies is slower (+2.7% and +3.6% respectively) compared to the emerging economies (+7.2% and +7.4% respectively). Among the major economies, Italy is the only country with a negative forecast for 2013 (-1.7%) followed by a slight recovery (+0.2%) only in 2014. France expects growth of 0.6% in 2013 and 0.1% in 2014, with estimates for Germany indicating growth of 2.2% and 2.6% respectively.

It is highlighted finally that in the "Outlook 2013" recently published by Fitch Ratings for the Italian insurance market, the continuation of the sovereign debt crisis in the Eurozone, according to the Agency, will create problems for the ratings of Italian Insurance Companies throughout the year, due to the considerable amount of government securities held in portfolio and the consequent significant probability that in the coming 12/24 months Italian Insurance Companies will see a lowering of their current ratings.

Therefore, Fitch confirmed the negative outlook for the sector: this evaluation was drawn up despite the improvement in the sector solvency ratios, following a reduction in the sovereign debt spread.

CHANGES TO THE REGULATORY FRAMEWORK

With reference to the principal regulatory norms concerning the Italian insurance market in 2012, the following information is provided.

Rules governing mortgage-linked policies

ISVAP published the new regulation of policies related to mortgages. Under the new regulations, introduced by ISVAP Provision 2946, insurance brokers, including banks and other financial intermediaries, may not act simultaneously as both distributors and beneficiaries (or lien holders) of policies.

The provision, which entered into force on April 2, 2012, in order to permit operators an adequate period of adaptation, was adopted at the end of a public consultation process, which involved, in addition to the market, the principal consumer associations which agreed the terms of reference of the provision.

"PRIPs" regulation proposal

On July 3, 2012, the European Commission adopted a proposal to improve the transparency and comparability of Packaged Retail Investment Products ("PRIP's") purchased by retail investors, which comprises a far-ranging legislative package which seeks to regain the trust of consumers in the financial markets.
The proposal concerns, in particular, pre-contractual disclosure, leaving the implementation of the placement provisions to the review in progress of the sector directives (in particular, MiFID and the Insurance Brokerage Directive).
The current provision differentiates according to the legal form of the product and the distribution channel, therefore the objective of the Commission is to establish a level of retail investor protection which does not alter based on the legal form of the product or the distribution channel and which resolves the current sector fragmentation.

The provision, whose approval process began in September and is currently under discussion, should be adopted by the end of 2013 and applied within two years from publication in the Official Gazette of the European Union.

Review of the Insurance Brokerage Directive

On July 3, 2012 the European Commission also adopted a review proposal on the Insurance Mediation Directive (2002/92/EC), which began the legislative process at the relevant Community Institutions. The Directive proposal seeks to implement basic standardisation in order to guarantee equal conditions between all entities involved in the sale of insurance products and to strengthen consumer protection.

The new provisions therefore standardise requirements, identifying the areas of intervention, particularly highlighting the issues of transparency and conflict of interest and extending the direct mediation rules. The Commission therefore proposes two systems: one for the sale of insurance products in general and one for the socalled "PRIPs."

Anti-Trust Regulation on preliminary procedures concerning misleading and comparative advertising, improper commercial practices and unconscionable clauses

The Regulation of the Anti-Trust Authority on Preliminary Procedures concerning misleading and comparative advertising, improper commercial practices, and unconscionable clauses (resolution No. 23788 of August 8, 2012) was published in the Official Gazette No. 200 of August 28, 2012. The regulation has a dual purpose.

On the one hand the regulation harmonises and simplifies the procedures concerning unlawful advertising and commercial practices considered improper through a single regulation replacing the previous regulations, without amending the procedures contained within, although altering the terms by which the company may propose any commitments to the Anti-Trust Authority in order to avoid illegality of the advertisement or of the commercial practice (currently these commitments must be presented within 45 days of the receipt of the communication concerning the beginning of the procedure).

On the other hand the regulation governs the evaluation procedure of any unconscionable clauses according to that established by Article 37-bis – Protection against unconscionable clauses of the Consumers Code introduced by Article 5 of Legislative-Decree No. 1 – 2012 (the so-called Liberalisation Decree). The above-stated Article in fact granted the Anti-Trust Authority the power to declare as unconscionable clauses included in contracts between professionals and consumers established through general contract agreements or through the signing of forms of standard contracts.

Further urgent measures for domestic growth

Legislative Decree No. 179 of October 18, 2012, enacts "further urgent measures for the domestic growth" and converted into Law No. 221/2012 of December 19, 2012, introducing a number of provisions which directly concern the insurance sector. This is addressed in particular by Article 21 ("measures for the identification and control of insurance fraud") and by Article 22 ("measures to encourage competition and protect the consumer in the insurance market").

<u>Anti-fraud measures</u>

Article 21 essentially assigns to IVASS a role for the prevention of Motor TPL fraud. The regulation establishes for IVASS a role as intermediary and partner for enterprises and enquiring bodies for the purposes of legal action.
In this new role, IVASS will avail of, in addition to its Motor TPL claims databank, a computerised archive integrated with the public and private databases containing information relevant to the role assigned.

<u>Competition, distribution and transparency</u>

Article 22 seeks to promote competition in the Motor TPL insurance sector, through increased consumer mobility, enabled through increased awareness and information on available products. It is clear that the basic objective of these measures is to ensure a reduction in the price of Motor TPL insurance coverage.

Duration of policies with Motor TPL guarantees

The enacted Law maintains the provision of the Decree concerning the prohibition on long-term policies, introducing a significant amendment under which, on the request of the contracting party, it is possible to undertake policies of annual duration and thereafter parts of a year.

Therefore, an appropriate solution was achieved in the Law concerning the difficulties created with the entry into force of the Decree, and in relation to which the client, with a need to establish a desired date for their contractual expiry, necessarily required a temporary policy, with all of the related limitations and difficulties. In such a scenario a temporary policy was therefore increasingly justified.

Tacit renewal of Motor TPL policies

The Law confirms the possibility to undertake only contracts which may not be tacitly renewed, adding the obligation upon the insurance company to "maintain, not beyond the 15th day subsequent to maturity of the contract, the prior guarantee until the effect of the new policy."

Health

In the Official Gazette of November 10, 2012, No. 363, Law No. 189 of November 8, 2012 was published, converting with modifications Legislative Degree No. 158 of September 13, 2012, enacting urgent provisions to promote the development of the country through a higher level of health protection. Articles 3 and 3-bis of the enacted Decree govern respectively the professional duty of those in the healthcare professions and those involved in the management and the monitoring of health risks, on the one hand establishing that those within the healthcare professions – which in carrying out their duties comply with guidelines and good practice accredited by the scientific community – are not criminally pursued for slight negligent breach; on the other hand in these cases the obligations as per Article 2043 of the Civil Code remain but judgment, also in the establishment of compensation for injury, takes account of the above-stated conduct.

The second paragraph of Article 3, in implementing the obligation for insurance coverage already established for all members of the regulated exercising professions, governs - specifically for those operating in the healthcare professions, with Decree of the President of the Republic, to be issued by June 13, 2013, on the proposal of the Ministry for Health together with the Ministry for Economic Development and the Ministry for the Economy and Finance, having consulted with ANIA, the National Federation of Surgeon and Orthodontists, in addition to the National Federation of Healthcare professionals the Trade Union Organisations principally involved in representing the relevant professional categories – both the procedures and the minimum and direct uniform requirements to guarantee the suitability of the relative policies in the discharge of insurance obligations.

New rules on gender discrimination

On December 21, 2012, the European Union Regulations under which European Insurers may not alter insurance premiums based on the gender of the insured party entered into force. The amendment is applied following the judgment of the European Court of Justice on March 1, 2011, which establishes that the payment by men and women of different insurance premiums exclusively on the basis of gender is incompatible with the principle of equal pricing established by the Gender and Quality Regulation and with the Charter of Fundamental Rights of the European Union.

Direct compensation

From January 1, 2013, 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 Ministerial Decree of December 11, 2009.

In this regard, the structure of the flat rates remained unchanged compared to 2012, having not yet introduced an enacting provision of Article 29 of Law No. 27/2012.

Specifically:

- **CID single flat rate** (damage to property and damage to the driver), broken down into three territories and by type of vehicle (vehicles other than motorbikes and mopeds);
- **CID single flat rate** (damage to property and damage to the driver), broken down into three territories and by type of motorbike (motorbikes and mopeds);
- **CTT flat rate,** for passengers in a motor vehicle**;**
- **CTT single flat rate** for passengers on motorcycles and mopeds**.**

For claims made as of January 1, 2013, compensation between companies will be subject to the following rates:

1. **CID flat rate for motor vehicles:**

- Area 1: € 2,239
- Area 2: € 1,930
- Area 3: € 1,683

2. **CID flat rate for motorcycles and mopeds:**

- Area 1: € 4,079
- Area 2: € 3,740
- Area 3: € 3,455

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

3. **CTT flat rate for passengers in motor vehicles**: for damage for an amount equal to or less than the plafond of Euro 5,000 suffered by third parties as passengers in motor vehicles, a flat rate of Euro 32,990 will be applied, with a total excess of Euro 500. For damage higher than the plafond of Euro 5,000 suffered by third parties transported in motor vehicles, the payment will consist of a flat rate of Euro 2,990 plus the differential between the effective damage and the stated plafond less an excess of 10%, with a maximum of Euro 20,000, to be calculated on the compensation.
4. **CTT flat rate for passengers on motorcycles and mopeds**: damage in the amount of Euro 5,000 or less to passengers transported on motorcycles and mopeds will be subject to a flat rate of Euro 3,700, with a fixed excess of Euro 500. In cases where the damage to passengers transported on motorcycles and mopeds is greater than Euro 5,000, the payout will comprise the flat rate of Euro 3,700, plus the difference between the damage actually compensated and the Euro 5,000 threshold, minus an excess of 10%, up to a maximum of Euro 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

Finally, it is noted that on January 1, 2013, IVASS (Insurance Oversight Authority) took over all powers, functions and duties of ISVAP.

The creation of IVASS, in accordance with Legislative Decree No. 95 of July 6, 2012 (urgent provisions for the review of public expenditure with continuity of citizen services) converted into Law No. 135 of August 7, 2012, was undertaken in order to ensure the full integration of insurance supervisory activities through a closer linking with banking oversight.

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 prudency, to ensure the stability and correct functioning of the insurance system and the protection of consumers.

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 a deferment of its entry into force, via the issuance of the "Omnibus II" proposal, which includes provisions to make significant amendments to the "Solvency II" 2009/138/EC Directive, including a series of transitional measures, with a view to considering the possibility of a "soft launch" of the new European supervisory framework. As noted, the proposal, which was published on January 19, 2011, also defines the areas in which the European Insurance and Occupational Pensions Authority (EIOPA) will be able to propose technical standards aimed at enhancing convergence between controls, as well as procedures for resolving cross-border disputes between authorities, with a view to developing a single Europe-wide rule book.

On March 21, 2012, the European Parliament's Economic and Monetary Affairs Committee (ECON) approved a report written by Burkhard Balz on a further amendment to the draft Omnibus II Directive, which introduces a number of measures supported by the European insurance industry to tackle the problems of the volatility of companies' capital levels and the pro-cyclicality of the new regime, though according to the report the application of such measures would be subject to a series of binding conditions. Specifically, the Balz report provides for the transposition of the Solvency II Directive to be postponed from October 31, 2012 to December 31, 2012, with the implementation date being put back until January 1, 2014. Following approval by ECON, the dialogue between the European Parliament, Commission and Council began with a view to reaching an agreement to be submitted to the Parliament for approval in plenary session. However, due to unforeseeable technical and procedural problems, the European Commission decided on May 16, 2012 to propose, as a matter of urgency, the approval by only the European Parliament and Council of a "targeted" directive limited to the amendment of the implementation date for the regulations (January 1, 2014), together with a single additional proposal to change the enactment date of the EU legislation to June 30, 2013, six months prior to the implementation date. Specifically, on September 12, 2012 the EU Parliament and Council issued Directive 2012/23/EU.

On July 10, 2012 EIOPA published a conclusive report on the public consultations (completed in early 2012) concerning Supervisory Reporting and Disclosure for insurance companies and groups under the future regulatory framework, with regard to the third pillar of Solvency II, which focuses on Supervisory Reporting and Public Disclosure obligations. However, the EIOPA has acknowledged that this report is likely to undergo further amendments in order to reflect the final position of the Omnibus II Directive (whose approval in plenary session is expected in October 2013).

On December 19, 2012, the EIOPA announced the beginning of the quantitative impact study on January 28, 2013 for Long Term Guarantees (LTG) within Solvency II, in order to quantify the effects of LTG's on the insurance market and the financial system as a whole. This study is expected to conclude by the end of March 2013 with the publication of results in the subsequent month of June and a Final Report in July 2013. In addition, on December 21, 2012, the EIOPA published the latest version (updating that of October 18, 2012) of the first part of the Solvency II technical guidelines, which all insurance and reinsurance companies must refer to in future quantitative valuations for the calculation of the Solvency II capital requirements.

Also during December 2012, the EIOPA, considering the regulatory uncertainty and the non-approval of the Omnibus II Directive, published the "Opinion on Interim Measures Regarding Solvency II" document, which takes the position that elements of the regulation, specifically Governance (Pillar II) and Reporting to the Supervisory Authorities (Pillar III), should be introduced locally in the Member States before the entry into force of Solvency II, in order to ensure standardisation within the European Community, at an industrial level and at an institutional level. For completeness, it is reported that from spring 2013, the EIOPA will issue a series of guidelines in this regard, in order to address the Supervisory Bodies in the case of advanced introduction.

THE NON-LIFE INSURANCE MARKET

In relation to the gross premiums for the first three quarters of 2012, the total premiums of the Non-Life and Life insurance sectors of the Italian Companies and of the Italian agencies of companies outside the EU amounted to Euro 75.6 billion, with an increase of approx. 7.7% on the same period of 2011.
The Non-Life portfolio, which totals approx. Euro 25.2 billion, decreased by approx. 2%, accounting for 33.3% of the total portfolio (31.4% in 2011).
In particular, the premiums portfolio of the Motor TPL classes and the Maritime TPL classes totaled approx. Euro 13 billion (-0.5% on the first nine months of 2011), comprising 52% of Non-Life premiums (51.1% in the same period of 2011) and 17.3% of total premiums (16% in the first nine months of 2011).
Premiums written in the other Non-Life classes included Accident with 8% (7.9% in 2011), Land Vehicles with 7.6% (8.1% in 2011), General TPL with 7.3% (7.4% in 2011), Property with 6.9% (6.8% in 2011), Health with 5.7% (5.6% in 2011), and Fire and Natural Elements with 5.5% (5.5% in 2011).
The analysis by distribution channel continues to highlight the large proportion of premiums written through brokerage agencies, amounting to approx. 82% of the Non-Life portfolio (82.3% in 2011) and 87.4% of the Motor TPL classes (88.4% in 2011).

With a particularly poor result in December (-16.3%), the motor vehicle market in the European Union dropped back to 1995 levels (therefore 17 years ago).
Within the European Union, according to the workings of ACEA on vehicle registration data, the poor performance for the moment affects only the Eurozone (-11.3%), while the EU markets outside of the Eurozone in 2012 reported growth - although modest (+2.3%). Within the Eurozone, the worst results impacted in particular the countries affected greatest by the austerity measures without growth imposed by the European Union, such as Greece, Italy and Spain, but the weak demand levels extended gradually to the entire Eurozone, affecting also the economically strongest countries. With particular reference to Italy, the statistics on new vehicle registrations of the Ministry for Infrastructure and Transport report a contraction in December 2012 alone of 22.5%, with an annual reduction of approx. 19.9%.

Although the price of insurance in Italy is among the highest in the Eurozone, ISTAT, which monitors tariffs, based on official offer prices and not the effective price paid by policyholders, highlighted in December, for the first times in 10 years, a reduction not just in November but also in October. Between December and October, the reduction, in annualised terms, was 2.7%. The drop is due to the improved technical performance, the reduction in the claims frequency and a progressive rebalancing of the sector, which is now more exposed to competition. Also for 2013, as highlighted by the industry association, prices are expected to be stable or may in fact reduce.

OPERATIONAL PERFORMANCE

The total premiums of the Premafin Group amounted to Euro 6,421 million compared to Euro 7,060 million in 2011, a decrease of 9.1%.
The direct premiums written amounted to Euro 6,417 million compared to Euro 7,055 million in 2011 (-9%).

Premiums written

The breakdown of the gross premiums written is shown below:

(Values in Thousands of Euro)	31.12.12	31.12.11	change %	Mix % 31.12.12	Mix % 31.12.11
Accident and health	586,922	642,931	(8.71)	9.1	9.1
Marin and aviation third party liability	127,166	165,495	(23.16)	2.0	2.3
Fire and other damage to property	804,988	849,403	(5.23)	12.5	12.0
General third party liability	479,295	527,424	(9.13)	7.5	7.5
Credit and Suretyship	80,995	88,144	(8.11)	1.3	1.2
Pecuniary losses	48,602	60,134	(19.18)	0.8	0.9
Legal protection	17,283	18,650	(7.33)	0.3	0.3
Assistance	72,502	60,497	19.84	1.1	0.9
TOTAL NON-MOTOR BUSINESS	**2,217,753**	**2,412,678**	**(8.08)**	**34.5**	**34.2**
Motor vehicle third party liability	3,632,225	3,995,222	(9.09)	56.6	56.5
Motor vehicle damage	567,272	647,446	(12.38)	8.8	9.2
TOTAL MOTOR BUSINESS	**4,199,497**	**4,642,668**	**(9.55)**	**65.4**	**65.7**
TOTAL DIRECT BUSINESS	**6,417,250**	**7,055,346**	**(9.04)**	**99.9**	**99.9**
INWARD BUSINESS	**3,557**	**4,578**	**(22.30)**	**0.1**	**0.1**
TOTAL	**6,420,807**	**7,059,924**	**(9.05)**	**100.0**	**100.0**

The decrease in Motor TPL premiums written of 9.1% reflects what emerged throughout the year, in particular a stricter application of policies to clean up the multi-claims portfolio and the ongoing effects of the various “Bersani” Laws, which have considerably reduced the discriminatory power of the no-claims bonus system, both because new policies are subject to low-risk categories assigned on a family basis, and because the no-claims status is infringed only in cases of principal liability.

The situation continues to be severely impacted by a significant contraction in new vehicle registrations which in 2012 decreased by 19.87%, with a reduction of 22.51% in the month of December (in 2011 a decrease of 10.8% was recorded with a reduction of 15.3% in December). 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 slight reduction in premiums written is also impacted, for nine months, by the Motor TPL tariff, launched in September 2011, in addition to the substantially neutral effect of the Motor TPL tariffs launched in March 2012, June 2012 and December 2012. These tariff versions, in line with Group guidelines, have the objective to recover profitability without neglecting the safeguarding of the portfolio, in order to reduce the tariff mutuality, taking into account regulatory changes (“Bersani” and Direct Indemnity) and competitive dynamics, focusing the analysis on the client risk and on their profitability.

Specifically, these tariffs are intended to considerably improve the Group’s tariff competitiveness and the quality and structure of its portfolio by means of increased selectivity throughout the country.

In addition, with a view to making its Motor TPL tariff structure more competitive and less mutualistic, the review of the technical and commercial policies on contracts continued in 2012 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.

Stronger focus is also being placed on the review of the technical and commercial policies relating to vehicle fleets, with efforts to boost profitability in both the Motor TPL and Land Vehicle Classes, even to the detriment of a reduction in the fleet portfolio.

The new motor TPL tariff was available from December 1, 2012, which safeguards margins through redefining the portfolio, increasing the retention of the best clients and new business. All premium differentiation based on “gender” was removed in accordance with the Judgment of the European Court of Justice of March 1, 2011.

On April 1, two new packages, named Flat and Flat+, were introduced, offering Fire/Theft cover for cars for up to Euro 70,000 of insured capital. The offer provides an innovative tariff with pre-determined premiums, broken down by amount of insured capital, vehicle age and region/province. The Flat+ package differs from the Flat in that it combines Fire/Theft cover with additional “Compact” pecuniary loss cover and legal expenses. The offer is designed to attract new customers and to build a more solid, profitable relationship with existing customers who:

1. have only motor TPL cover;
2. have cancelled their Fire/Theft cover in recent years;
3. own a mid-/low-value car;
4. intend to change vehicles and take out a new policy.

It is highlighted also that, in compliance with Legislative Decree No. 179/2012, as enacted into Law 221/2012, new Motor TPL policies have a maximum annual duration, thereafter part of a year – without tacit renewal. For policies in portfolio maturing from January 1, 2013 the discontinuation of the tacit renewal clause was communicated to clients (together with the sending of the risk declaration), with confirmation however of the extended application of guarantees for 15 days subsequent to conclusion of the contract; this extension was announced also to holders of ab origine policies without tacit renewal. This informational activity will continue also in 2013.

For all sector tariffs, following the enactment of EU directive V, concerning the adjustment of the maximum coverage from June 11, 2012, two Maximum levels were added of Euro 5 million (in the case of physical injury per claim independent of the number of casualties) and Euro 1 million (in the case of property damage per claim independent of the number of casualties). As the two amounts are accumulated, the maximum exposure per claim is Euro 6 million.

The **Land Vehicle Class premiums** continued to contract (-12.4%) 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. This class was also impacted by the reform actions on the multi-claim portfolio by the company.

In relation to the Other Non-Life Classes, the decrease of 8.1% relates to the withdrawal from unprofitable portfolios and classes, particularly in the corporate risks sector and also the difficulties in the retail sector which - although being the principal objective of the underwriting policy - was impacted by the current extensive crisis which reduces household disposable income for insurance coverage. 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 the 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 **premiums ceded** amounted to Euro 293 million (Euro 312 million in 2011).

Insurance contract liabilities amounted to Euro 12,522 million (Euro 12,610 million in 2011) and the ratio to premiums written was 195.0% (178.6% in 2011).

Management expenses, excluding those strictly related to the management of the investments, totaled Euro 1,397 million (Euro 1,568 million in 2011), a decrease of approx. 11%. The percentage on premiums remains substantially unchanged at 21.8% compared to 22.2% in 2011.

Claims paid and reported

Claims reported in 2012 decreased by 10.1% on 2011. In the Motor TPL Class the claims reported numbered 615,962 compared to 748,909 (-17.8%) and, taking into account the reduction in premiums written and the overall improvement in the domestic market, confirms the actions implemented to recover profitability. The claims paid in the year, gross of outward reinsurance, totaled Euro 5,048 million, a decrease of 1.1% on Euro 5,104 million in 2011.

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:

(Values in Thousands of Euro)	**Claims paid (*) (Thousands of Euro)**			**Reported claims for generation (*) (Number)**		
	31.12.12	**31.12.11**	**Var%**	**31.12.12**	**31.12.11**	**Var%**
Non-Life Business						
Accident	199,763	225,564	(11.44)	69,445	81,544	(14.84)
Health	156,209	187,659	(16.76)	280,230	264,791	5.83
Hull transport (trains)	12	2	500.00	-	-	-
Hull aviation	1,829	4,431	(58.72)	87	51	70.59
Hull marine	35,357	25,589	38.17	744	711	4.64
Cargo	19,651	23,582	(16.67)	4,138	4,230	(2.17)
Fire	244,017	228,094	6.98	63,717	64,065	(0.54)
Property other than fire	265,355	254,821	4.13	156,773	152,271	2.96
Aviation third party liability	606	1,175	(48.43)	49	15	226.67
Marine third party liability	6,686	4,545	47.11	432	419	3.10
General third party liability	432,973	392,839	10.22	89,996	103,133	(12.74)
Credit	92	704	(86.93)	-	7	(100.00)
Suretyship	63,074	47,434	32.97	3,471	1,988	74.60
Pecuniary losses	14,698	7,842	87.43	4,356	3,409	27.78
Legal protection	2,563	2,244	14.22	1,628	1,512	7.67
Assistance	23,811	21,325	11.66	127,921	118,403	8.04
TOTAL NON-MOTOR BUSINESS	**1,466,696**	**1,427,851**	**2.72**	**802,987**	**796,549**	**0.81**
Motor vehicle third party liability	3,223,228	3,256,947	(1.04)	615,962	748,909	(17.75)
Motor material damage	358,100	418,958	(14.53)	236,885	295,737	(19.90)
TOTAL MOTOR BUSINESS	**3,581,328**	**3,675,905**	**(2.57)**	**852,847**	**1,044,646**	**(18.36)**
TOTAL NON-LIFE BUSINESS	**5,048,024**	**5,103,756**	**(1.09)**	**1,655,834**	**1,841,195**	**(10.07)**

As regards the Motor TPL Classes, 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 made listed in the table refer to events in which our policyholder is liable.

The number of Motor TPL claims reported managed by the Group totals 592,293 (-18.0%).

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

TECHNICAL RATIOS %	31.12.12	31.12.11 Restated IAS 8	31.12.11
Loss ratio	78.55	79.62	87.23
Expense ratio	21.96	22.32	22.32
Operating Combined ratio	**100.51**	**101.94**	**109.55**
OTI ratio (*)	3.26	2.59	2.59
Combined ratio	**103.77**	**104.53**	**112.14**
Reserve ratio (**)	**195.03**	**178.62**	**178.62**

(*) Comprehensive of other technical items

(**) Technical provisions/premiums

Values in %	31.12.12	31.12.11 Restated IAS 8	31.12.11
Loss ratio	79.4	78.1	85.4
Expense ratio	22.9	22.5	22.5
Operating Combined ratio	**102.3**	**100.6**	**107.9**
OTI ratio (*)	3.1	2.5	2.5
Combined ratio	**105.4**	**103.1**	**110.4**

(*) Comprehensive of other technical items

The improvement in the claims/premiums ratio resulted in an improved current operating performance, in particular in the Motor Classes.

The principal factors related to:

- for the Motor TPL Class further revaluations of the estimated last cost of previous generation claims, on the conclusion of the annual inventory process of the open positions with particular reference to serious and large claims. We also report that more aggressive policies were introduced during the year with the aim of a quicker resolution of the prior year claims, both in relation to partial settlements and in relation to mortality claims. In addition, there was a satisfactory maintenance of the prior year provisions;

- for the General TPL Class, in addition to the considerations for the Motor TPL Class, it should be noted that, also on indications received from the Supervisory Board, more complete last cost projection actuarial models were developed, which resulted in the need for more prudent provisions;

- the earthquake which hit the Emilia Romagna region in May and June 2012 significantly impacted the Fire Class, increasing the current year claims/premiums ratio. The cost of these claims was however largely recovered through reinsurance. Particularly good results were achieved however by the Accident, Legal Protection and Assistance classes.;

- the Land Vehicle Class continued to consolidate the significant recovery in profitability, due to the restructuring actions which began in 2009.

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

(Values in Thousands of Euro)	31.12.12	31.12.11 Restated IAS 8	31/12/2011 Original	Change %
Motor vehicle third party liability	(40,027)	(225,775)	(742,775)	702,748
Motor material damage	110,513	96,100	96,100	14,413
Other classes	(285,884)	(106,482)	(106,482)	(179,402)
TOTAL NON-LIFE BUSINESS	**(215,398)**	**(236,157)**	**(753,157)**	**537,759**

In the **Motor TPL Class**, current operating performance was strong, with a satisfactory decrease in claims reported (-17.7% for policyholder claims and -18% for claims handled), despite a reduction in premiums written of 9.1%.

The actions continued to recover adequate profitability, such as:

- tariff increases and a reduction in group policies;
- restructuring actions of the portfolio still ongoing;
- drop in claims reported and frequency;
- progressive extension to the whole country of the internal method to combat fraud.

The adjustments to the claims relating to previous years remains negative, although a significant improvement on 2011.
Against the gains on the settlement of payments, indicating the sufficient insurance contract liabilities recorded in the financial statements at the end of the previous year, it was decided, on a prudent basis, not to recognise these gains in the income statement. The activities of the loss adjusters network were therefore also concentrated on particularly prudent criteria.

The **Land Vehicle Class** reports a significant improvement on 2011 which was in itself a good performance. The premiums decreased due to the general economic climate and the fall in registrations, in addition to the effect of the restructuring actions undertaken by the Motor TPL Class, with a consequent drop in the volumes in the class.
On the other hand, there is a strong decrease in claims in the class, consequent of more rigorous underwriting criteria, which resulted in a better claims/premium ratio in certain insurance covers.

In relation to the Other Non-Life Classes, mixed performances were again seen due in part to the difficult economic environment. In particular, the General TPL class performance was again negative, principally in the corporate portfolio, as well as in the Health Class. Within the General TPL Class, and specifically in the corporate sector, against a reduction in premiums following the portfolio restructuring actions, outstanding claims from previous years persist, which required a more prudent reservation policy; this latter is supported, principally, by the implementation of appropriate actuarial models to determine the ultimate cost. In the retail sector, against a significant improvement in the current claims/premiums ratio, a repricing policy was implemented in order to render the products in portfolio more profitable and reach technical break-even.

New products

Within the redefinition of the Group products, during 2012 some significant product initiatives were launched, which are summarised below:

- The **new Motor TPL tariff** was available from December 1, 2012, which safeguards margins through redefining the portfolio, increasing the retention of the best clients and new business. All premium differentiation based on “gender” was removed in accordance with the Judgment of the European Court of Justice of March 1, 2011. It is highlighted also that, in compliance with Legislative Decree No. 179/2012, as enacted into Law 221/2012, new Motor TPL policies have a maximum annual duration, thereafter part of a year – without tacit renewal. For policies in portfolio maturing from January 1, 2013 the discontinuation of the tacit renewal clause was communicated to clients (together with the sending of the risk declaration), with confirmation however of the extended application of guarantees for 15 days subsequent to conclusion of the contract; this extension was announced also to holders of *ab origine* policies without tacit renewal. This informational activity will continue also in 2013.

- Launch of the **new product Difesa Più Impresa fino a tre**. On September 1 the *Difesa Piu Impresa Fino a tre* product was launched which, based on 6 Guarantee pillars (Fire and Property, Theft and Robbery, Electronic and Electric Accidents, Third Party Liability, Legal Expenses and Assistance) provides trades people and businesses which employ up to three persons basic coverage including all necessary guarantees to protect the business and with the option of adding further guarantees.
- Launch of the **new Difesa Più Professioni Liberali, Tecniche, Sanitarie products**. On September 1, the three Difesa Piu Professioni Liberali, Tecniche and Sanitarie products were launched, providing third party liability coverage in the professionals sector. In addition to professional TPL guarantees, coverage is also provided for employer TPL coverage (coverage of professionals following accidents reported by their employers), Legal Protection and Assistance.
- Launching of the **new products *Retail Più Fabbricati in locazione all'azienda*** (called ***Più Fabbricati in locazione all'azienda*** for the subsidiary Milano Assicurazioni). The *Retail Più Fabbricati* policy was launched on June 1, offering insurance for properties leased to third parties for commercial and/or industrial use against risks relating to "fire and property damage" and "third party liability";
- Launch of the **new product *Difesa per RC Vita Privata***. On June 1, the Group launched its *Difesa per RC Vita Privata* product, which covers third party liability for events of which personal life, family life and relationships. It is a pre-packaged offer with an extremely low fixed premium, aimed at individuals who are interested in entry-level insurance cover and are not looking to spend large amounts;
- Launch of the new ***Difesa per Grandi Infortuni*** policy. June 1 saw the launch of the *Difesa per Grandi Infortuni* product, which covers cases of Death and Permanent Disability of over 15%, and is aimed at customers who currently have no accident cover and are not able to spend large amounts. The policy offers a high level of cover (Euro 200,000 of insured capital for Permanent Disability) for serious accidents that could threaten the policyholder's earning capacity.

The Group also continued to scale back its product catalogue and monitor areas.

Anti-insurance fraud activities

The prevention and fight against insurance fraud in the Motor TPL class is a fundamental and consolidated commitment of the Group and involves the insurance process in its entirely. This activity takes place within the loss adjustment and underwriting operations.

The Group utilises an Anti-fraud settlement structure called the "Anti-fraud unit" within the Claims Structure, which is involved in the fight against fraud through the identification and collation of evidence concerning potentially fraudulent claims, in order to ensure the withdrawal of the claim and maximise the economic impact, with the possible pursuit of lawsuits through a dedicated criminal unit. The “Anti-fraud unit” is divided into “Centralised anti-fraud” (Turin headquarters), “Regional anti-fraud” (throughout the country) and the “Criminal Unit” (Turin headquarters), overseeing the entire fraud management process, including any settlement. The Criminal Unit is also the office handling all requests for documents/information from the police authorities concerning claims; when such claims are still open, lawyers may also visit the unit.

The loss adjusters of the Anti-fraud Unit ensure the execution of the investigative activities (assignment to external professional investigators, consultation of internal and external databanks, access to the internet etc.) and evaluate the evidence collected. In the case in which irregular activity is suspected, the support of the Intelligence Analyst at the unit is sought.

If, on the opening of the claim, fraud is suspected by automatic controls, the claim is transferred to the Triage (a first-level structure at the loss adjuster network throughout the country). The duty of the Triage is to verify which of the suspected claims are sent to the Anti-Fraud Unit for further investigation, transferring however to the loss adjuster network those which appear as "false positives."

In any case, during the investigation, the loss adjuster must carry out a series of controls through the use of a system generated checklist, whose non-compilation prevents the possibility to proceed with the claim. Significant indicators may emerge from this analysis, whereby the claim must be transferred to the Triage with the subsequent transfer to the Anti-Fraud Unit (second-level structure).

Anti-fraud measures in the insurance sector were subject to action by Parliament in 2012. In particular, Legislative Decree No. 1/2012, enacted with amendments into Law No. 27 of March 24, 2012, allocated, among other issues, IVASS greater supervisory powers concerning the suitability of the company organisation and claims settlement systems to combat fraud and introduced new disclosure obligations on insurance companies. Enacting this Decree, the Supervisory Authority issued Regulation No. 44 of August 9, 2012.

In accordance with Article 30, paragraph 2, of the above-stated Legislated Decree No. 1/2012, as a result of the Anti-Fraud activity carried out in the Motor TPL class, the insurance company of the Group estimates in 2012 a reduction in charges of approx Euro 27.7 million, net of operating costs and expenses incurred in such activity.

This estimate is based on the claims reported, against which - having ascertained fraud - no settlement was paid out.

In relation to the major insurance companies of the Group, key financial information relating to the year 2012 is summarised in the table below:

(Values in Thousands of Euro)	WRITTEN PREMIUMS	CHANGE %	INVESTMENTS	TECHNICAL PROVISIONS	RESULT
NON-LIFE INSURANCE BUSINESS					
INCONTRA ASSICURAZIONI S.p.A.	40,807	(34.15)	90,977	116,309	2,022
DDOR NOVI SAD	65,827	(22.94)	33,334	65,521	1,203
DIALOGO ASSICURAZIONI S.p.A.	28,397	(28.36)	40,199	53,668	(2,853)
EUROPA TUTELA GIUDIZIARIA S.p.A.	1,448	(15.16)	13,221	5,583	551
LIGURIA ASSICURAZIONI S.p.A.	205,354	(13.36)	329,202	422,040	(43,668)
MILANO ASSICURAZIONI S.p.A.(*)	2,733,079	(8.25)	4,476,791	5,496,812	(160,845)
PRONTO ASSISTANCE S.p.A.	62,813	(20.84)	13,327	863	2,747
SIAT S.p.A.	132,858	(20.29)	108,896	296,363	2,543
THE LAWRENCE RE LTD	135,666	(8.72)	271,343	383,274	3,603

(*) consolidated data in Non-Life business

THE LIFE INSURANCE MARKET

In the first nine months of 2012 total premiums in the Life insurance sector decreased by over 10% (to Euro 50.4 billion), accounting for 66.7% of the total Non-Life and Life portfolio (68.6% in 2011).

In particular, Class I (Insurance on human life) with approx. Euro 37 billion recorded a decrease of approx. 13.3% on the same period of 2011; Class III (Insurance principally related to mutual funds or Internal Funds or indices or other benchmark values) with approx. Euro 9.8 billion remains in line with the first nine months of 2011 and Class V (Capitalisation operations) decreased approx. 16% (approx. Euro 2.1 billion). These Classes account respectively for 73.3%, 19.4% and 4.1% of Life premiums (respectively 75.9%, 17.5% and 4.4% in the same period of 2010). In relation to the remaining Classes, the premiums of Class VI (pension funds with approx. Euro 1.5 billion) accounts for approx. 2.9% of Life premiums (2% in the first nine months of 2011).

Premiums written through bank and postal branches accounted for 50.9% of the Life portfolio (57.9% in 2011). These were followed by the financial promoters (22.5% compared to 17.7% in the first nine months of 2011), mandated agents (14.3% compared to 13.9% in the first nine months of 2011), in-house agents (10.6% compared to 9.2% in the first nine months of 2011), brokers (1.3% compared to 1% in the first nine months of 2011) and the other forms of direct sales (0.4% compared to 0.3% in the same period in 2011).

In November 2012, the new Life business of Italian and non-EU companies, including supplementary single premiums, was Euro 4.2 billion (+11.3% compared to 2011).

COMPLEMENTARY PENSIONS IN ITALY

In recent years, the Italian state pension system has undergone a series of changes in order to make it less vulnerable to demographic changes, in addition to partly relieve the public sector from its increasing financial burden. The system is based on notional accounts which operate on the defined contribution system model: the contributions paid by employers and by employees (respectively one-third on the former and two-thirds on the later), establish a return in line with GDP growth. On maturation of pension, the notional capital built up is converted into an annual income, considering average life expectations at the present moment.
Based on this new defined contribution system, the pension age is variable. From 2013, the age will increase in line with increased life expectancies: in particular, the pension age for the male population is expected to reach 68 by 2050.
The Italian system includes also voluntary supplementary pensions, concerning collective open or closed type funds.
COVIP (Commission on Pension Fund Supervisory) recently underlined that in the seven years since the approval of Legislative Decree 252/2005, which permits the re-launch of supplementary pensions, pension funds decreased from 587 to 545; in particular, in the last 11 months they decreased from 545 to 518. The fragmentation of the offer is even greater in the investment lines offered by the funds: subscriber numbers to these funds sometimes number 20 or 30. Despite the reforms over the last two decades it is clear that the replacement rate of the compulsory pension will not be as generous as it was in the past, and despite incentives for the development of the second pension pillar, participation is still limited.

Between the entry into force of Legislative Decree 252/2005 and October 2012, subscribers to supplementary pension forms increased from 3.1 million to 5.8 million, with an increase of 4.5% on December 2011: a number lower than initial expectations and with growth reducing in years subsequent to the introduction stage of the reform. Of the approximately 2.7 million additional subscribers registered in the January 2007 – October 2012 period, 1.4 million signed up in the first year of the Decree. The subscription rate numbered slightly less than 25% of total potential subscribers. In addition, significant differences persist concerning breakdown by gender, age, region of residence and other socio-demographic characteristics; in particular the limited number of young persons' is particularly worrying - those who in the future will be most at need of a supplementary pension, while the participation of public sector employees remained marginal.

Table 3 – Supplementary pensions in Italy. Subscription to complementary pensions.

(year-end data; provisional for 2011)

	December 2012 *(1)*	**September 2012** *(1)*	**June 2012** *(1)*	**March 2012** *(1)*	**December 2011**	**December 2012/2011 Cge.%**
Traded pension funds	1,969,970	1,978,395	1,987,411	1,992,942	1,994,280	(1,2)
Of which: LDSP	1,815,964	1,824,840	1,833,820	1,839,951	1,842,065	(1,4)
Open pension funds	914,013	899,845	894,288	889,202	881,311	3,7
Of which: LDSP (2)	435,839	431,533	427,237	424,433	423,303	3,0
"new" IPP's	1,773,770	1,672,180	1,609,956	1,531,265	1,451,995	22,2
Of which: LDSP (2)	1,098,853	1,038,848	997,718	945,426	894,365	22,9
"Old" IPP's	573,000	573,000	573,000	573,000	573,336	-
di cui: LDSP (2)	191,000	191,000	191,000	191,000	191,496	-
Pre-existing pension funds	664,000	664,000	664,000	664,000	664,957	-
Of which: LDSP	637,000	637,000	637,000	637,.000	637,574	-
Total pensions (3)	**5,866,282**	**5,758,759**	**5,699,994**	**5,621,748**	**5,536,780**	**6,0**
Of which: LDSP (3)	4,177,540	4,121,915	4,085,469	4,036,504	3,987,059	4,8

Source: COVIP – The supplementary pension. Principal statistics in the fourth quarter 2012 – January 2013.
LDSP: private sector employees

(1) *The "old" IPP's and the pre-existing pension funds are not subject to reporting during the year. The data indicated is based on 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 the duplications due to subscribers who subscribe to both the "new" and "old" IPPs, amounting to 65,000 individuals at the end of 2011, of which 37,000 are employees.*

OPERATIONAL PERFORMANCE

The pre-tax result of the sector was a loss of Euro 39 million (loss of Euro 100 million at 31/12/2011). The decrease in the result is particularly due to the significant contraction in investment income, following the volatility on the financial markets and in particular in the values of Italian debt securities as well as, in more detail, to the impact of write-downs that, as known, are not immediately represented in the committments to the policyholders. The result also include the write-down of goodwill of Euro 159 million recorded in the subsidiary Popolare Vita.

The technical margins of the portfolio are adequate and therefore once the current market uncertainty has passed the sector will be well placed to take advantage of the strong potential of a portfolio principally comprising traditional type products aimed at engendering client loyalty.

Premiums written amounted to Euro 3,612 million compared to Euro 3,754 million in 2011, a decrease of 3.8%. The direct premiums written amount to Euro 3,611 million, a decrease of 3.8%.

The total premiums in the sector also includes Euro 44 million (Euro 54 million in 2011), 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:

(Values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Change %**
I - Whole and term life insurance	2,212,377	1,417,963	56.03
III - Unit-linked/index-linked policies	1,142,007	2,027,420	(43.67)
IV - Health	388	365	6.30
V - Capitalisation insurance	256,175	306,908	(16.53)
TOTAL	**3,610,947**	**3,752,656**	**(3.78)**
INWARD BUSINESS	**635**	**917**	**(30.75)**
TOTAL	**3,611,582**	**3,753,573**	**(3.78)**

Total premiums written by bank branches amounted to Euro 2,430 million and represents 67.3% of the total direct premiums written. The contribution of the subsidiary Popolare Vita is significant - which saw a considerable increase during the fourth quarter. The premiums ceded amounted to Euro 9 million (Euro 18 million in 2011).

Insurance contract liabilities amount to Euro 21,136 million (Euro 22,497 million at 12/31/2011).

Sums paid amount to Euro 6,475 million (Euro 4,393 million in 2011).

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

(Values in Millions of Euro)	**Claims**	**Surrenders**	**Maturities**	**Total at 31/12/12**	**Total at 31/12/11**
I - Whole and term life insurance	91.0	1,505.6	657.2	2,253.8	2,342.6
III - Unit-linked/index-linked policies	44.0	2,960.0	490.3	3,494.3	1,583.7
IV - Health	-	-	0	0	0
V - Capitalisation insurance	1.7	535.4	186.1	723.2	465.1
Total	**136.7**	**5,001.0**	**1,333.7**	**6,471.4**	**4,391.5**

Total operating expenses in 2012, excluding the investment management expenses, amounted to Euro 198 million, an increase of 2.6% (Euro 193 million in 2011). The percentage on premiums therefore increased from 5.14% in 2011 to 5.47% in 2012.

With reference to some operating indicators in the sector the returns on the principal Segregated Funds of the Companies of the Group are shown below:

	2011	2011
Press	3.60	3.19
Nuova Press 2000	3.60	3.64
Fonsai RE	4.02	4.05
Fondivita	2.46	1.83
Fondicol(*)	4.18	4.34
VIVA	4.23	3.54
Milass RE	4.01	4.04
3A	3.59	3.25
Popolare Vita	3.39	3.55
Fondo Liguria	3.66	3.64

(*) For these Segregated Funds the year ended at 30/9/2012: therefore the return reported in the table has already been certified.

Annual Premium Equivalent and New business

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

(Values in Thousands of Euro)	Class I	Class III	Class IV	Class V	Class VI	Total	2011	Change %
Bim Vita S.p.A.	13,486	57,141	-	-	520	71,147	134,198	(46.98)
Fondiaria-SAI S.p.A.	264,707	1,437	2	13,634	1,294	281,074	452,061	(37.82)
								n.a.
Liguria Vita S.p.A.	12,892	-	-	36	-	12,928	13,141	(1.62)
Milano Asiicurazioni S.p.A.	156,947	641	-	9,582	667	167,837	172,331	(2.61)
Popolare Vita S.p.A.	1,184,232	327,433	-	2,332	-	1,513,997	209,339	623.23
Systema Vita S.p.A.							-	n.a.
The Lawrence Life Assurance Co. Ltd	-	723,176	-	-	-	723,176	1,888,030	(61.70)
TOTAL	**1,632,264**	**1,109,828**	**2**	**25,584**	**2,481**	**2,770,159**	**2,869,100**	**(3.45)**

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 Group, 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 the above-mentioned valuations are reported below.

(Values in Millions of Euro)	31/12/2012	31/12/2011	Change %
IAS/IFRS	**331.3**	**348.4**	**(4.91)**
Traditional Insurance Companies	94.2	120.8	(22.02)
Bankassurance	237.1	227.6	4.17
Local GAAP	**333.2**	**352.0**	**(5.34)**
Traditional Insurance Companies	95.9	124.1	(22.72)
Bankassurance	237.3	227.9	4.12

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 IAS 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

(Values in Millions of Euro)	Fondiaria-SAI	Milano Ass.ni	Popolare Vita	Bim Vita	Other Companies	Total by typology
			2012			
Insurance contracts	284	176	462	94	728	1,744
Investment contracts with discretionary participation	514	183	1,145	6	19	1,867
Investment contracts without discretionary participation	30	7	1	6	-	44
Service Arrangements (IAS 18)	-	-	-	-	-	-
Total by Company	**828**	**366**	**1,608**	**106**	**747**	**3,655**

(Values in Millions of Euro)	Fondiaria-SAI	Milano Ass.ni*	Popolare Vita	Bim Vita	Other Companies	Total by typology
			2011			
Insurance contracts	241	167	11	129	1,888	2,436
Investment contracts with discretionary participation	766	210	281	35	25	1,317
Investment contracts without discretionary participation	36	11	1	7	-	55
Service Arrangements (IAS 18)	-	-	-	-	-	-
Total by Company	**1,043**	**388**	**293**	**171**	**1,913**	**3,808**

Individual Life Insurance

In 2012, Individual Life business of the agency network was significantly impacted by the difficult domestic economy.

In such an environment, clients tend to favour Segregated Funds, as they feature a guaranteed minimum return and protection of the investment, and also the new pure-capitalisation product, VALORE CERTO, in which a considerable amount of interest was shown. The product was distributed as part of two sales campaigns, one in March and April and the other in June.

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

- for the single premium products, the Segregated Fund linked products reported a significant contraction, only partially offset by the success outlined above of *Valore Certo*;
- for the recurring premium OPEN GOLD and OPEN RISPARMIO products, a significant reduction in business compared to the previous year was reported;
- for variable annual premium products, there was a substantial decrease with the sole exception of the Mixed sector, where the introduction of the new *OPEN FULL* product midway through March caused a significant increase in both the number of policies and volumes;
- the Term Life sector reported a significant contraction in the number of policies and premium volumes.

The supplementary pension sector, implemented through Individual Pension Plans, in 2012 saw a substantial maintenance in the number and volumes of policies subscribed compared to 2011, thanks in particular to transfers from other companies.

Collective Life Insurance and Pension Funds

2012 overall reported a reduction in collective policy premiums.

The capitalisation products targeting business treasury needs, relating both to Institutional Clients and SME's, reported a sharp fall compared to the previous year. The prolonged economic difficulties, characterised by the continued difficulty in accessing credit, has again contributed to the reduced interest in these financial/insurance investment instruments.

The economic-financial environment of the present year was also characterised by high volatility in Government bonds which, together with the difficulty in accessing credit illustrated above, resulted in an increase in early redemptions, especially by Institutional Clients.

In the supplementary pension segment, the Open Pension Funds created by the Company reports a contraction on the previous year, while the traditional portfolio of the Pre-Existing Pension Funds reported greater stability in premiums.

The employee leaving indemnity based products (TFR and TFM) recorded a decrease in premiums due to the difficult economic climate.
The continued unfavourable economic climate, together with the regulatory obligations imposed by the legislature (allocation of employee leaving indemnity to complementary pension forms rather than to the INPS Treasury Fund for companies with over 50 workers) are working against these products fulfilling their potential.

The risk coverage sector reports a decrease in premiums on the previous year, but continues to report a favourable technical result.

The performance in 2012 of the subsidiaries is summarised in the table below:

(Values in Thousands of Euro)	Gross Premiums	Change %	INVESTMENTS	PROVISIONS	RESULT
LIFE INSURANCE BUSINESS					
BIM VITA S.p.A.	99,890	(39.17)	466,829	398,169	1,597
DDOR NOVI SAD ADO	5,193	0.58	13,669	14,736	(603)
LIGURIA VITA S.p.A.	19,112	(3.14)	128,195	120,476	9
MILANO ASSICURAZIONI S.p.A.(*)	378,564	(4.63)	3,695,143	3,377,701	10,308
POPOLARE VITA S.p.A.	1,607,336	n.d.	7,340,517	6,793,779	70,966
THE LAWRENCE LIFE ASSURANCE CO Ltd	723,247	(61.69)	2,992,669	2,911,733	14,831
THE LAWRENCE RE IRELAND Ltd.	11,900	(2.80)	13,546	7,750	2,471

(*) consolidated data Life sectors

REINSURANCE

Non-Life reinsurance

In line with previous years, the placement of all the automatic cessions of the companies of the Fondiaria-SAI Group in the international market takes place through the reinsurance company of the Group, The Lawrence RE Ireland Ltd with the following exceptions:

- the Transport Classes placed within the subsidiary SIAT;
- the Aviation Classes placed directly by the underwriting companies in international markets;

- the remaining non-marine portfolio of SIAT, in progressive decline, placed with Milano Assicurazioni;
- the significant risks ceded optionally placed directly by the individual companies;
- the Protected Assistance class placed directly by Pronto Assistance.

The reinsurance policy continues to be principally orientated towards cessions on a non-proportional basis of the protection of the individual or cumulative risks deriving from a single event for the Classes Fire, Injury, Theft, General TPL, Motor Vehicle TPL and Land Vehicles while on a proportional basis for the Classes Credit and Technological Risks. In relation to the Classes Aviation and Bonds the structure is based on proportional agreements and covering excess claims for the protection of the relative retained.

The proposition of coverage ceded composed by the different portfolios of the individual Companies continues to provide balanced programmes to the international market, which presented with an increasing level of analysis, are constantly requested by the principal reinsurers; this limits the reinsurance costs, normally lower than the market average, although against increased exposure, especially in relation to catastrophic events.
This situation, together with the good results reported, allows for an excellent level of guarantee on solvency, particularly important in the presence of catastrophic coverage, for example Injury and Property.

The subsidiary SIAT placed on the reinsurance market the protection relating to the Transport sector operating as reinsurer of the companies of the Group, with a mixed structure based on proportional agreements and excess claims coverage. The remaining “non marine” Classes, in any case being disposed of, were integrated into the various Group programmes through Milano Assicurazioni.

The subsidiary LIGURIA, following the guidelines issued by the Parent Company, placed the Transport Classes through SIAT, while Group programmes were utilised for the other guarantees. In specific cases, where there was a lower priority, specific underlying programmes were placed, also through The Lawrence RE.

With regard to inward reinsurance, the data at 31/12/2012 include all the optional business and the acceptances by the companies of the Group and the data at 31/12/2011 include all the other types of agreements. Net of the relative reinsurance the equilibrium of the result is confirmed in line with previous years.

Life reinsurance

The reinsurance programme, as in previous years, consists of a proportional agreement in excess: the retentions of the individual Companies of the Group vary according to the respective volumes of underlying premiums. The subsidiary The Lawrence RE reinsures this portfolio and obtains coverage on the market through a nonproportional structure for the specific risks and a Stop Loss protection on the retained of the Group.

Also the non-proportional programme, which protects the Companies of the Group from risk events, is subsequently ceded by The Lawrence RE, after a further reduction of the retention. The retentions continue to be limited for subsidiaries and associates, especially when compared to the total capacity provided.

Ratings of the Reinsurance Assets and Current Account Receivables

The table below shows the breakdown of the reinsurance assets and current account receivables by category according to the Standard & Poor's rating. 91.45% of the reinsurance assets and 91.36% of receivables were placed with AA and A (strong) rated reinsures while 5.81% of receivables and 7.46% or reinsurance assets were placed with B rated reinsures.

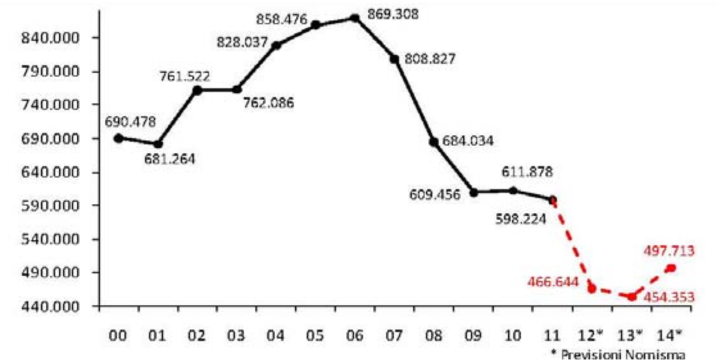
Total Reinsurance Assets and Current Account Receivables

	2012				2011			
(Values in Thousands of Euro)	Liabilities		Receivables		Liabilities		Receivables	
Rating	**Amounts**	**Mix %**	**Amounts**	**Mix %**	**Amounts**	**Mix %**	**Amounts**	**Mix %**
AAA	-	-	-	-	-	-	-	-
AA	361,349	44.76	29,151	45.02	333,087	47.46	37,318	39.28
A	376,930	46.69	30,003	46.34	349,600	49.81	39,168	55.37
BBB	57,561	7.13	3,548	5.48	9,361	1.33	1,049	1.66
BB	2,099	0.26	135	0.21	213	0.03	24	0.05
B	565	0.07	78	0.12	996	0.14	112	0.66
NR	8,800	1.09	1,834	2.83	8,623	1.23	966	2.98
Total	**807,304**	**100.00**	**64,749**	**100.00**	**701,880**	**100.00**	**78,637**	**100.00**

REAL ESTATE SECTOR

In the third quarter of 2012, the real estate market saw a further collapse, recording the sharpest fall since the beginning of the long downturn (since 2004). Between July and September 2012, compared to the same period of 2011, the Italian Economic Research Institute estimated a fall in sales of 25.8%; in the residential sector the fall was 26.8%, with a decrease in residential sales for the full year 2012 to under an estimated 500,000 units (as estimated by Nomisma in the 3rd 2012 Real Estate Market Report) - to levels last seen in the 1980's.

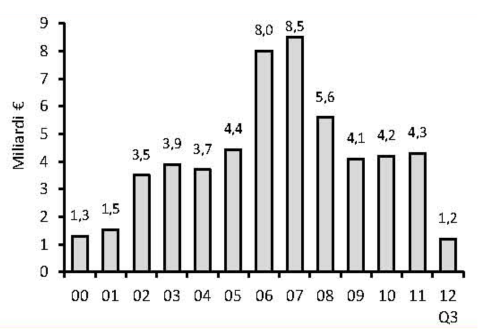
Graph 3 – Italy: number of annual residential sales in Italy



Source: Economic Research Institute – Nomisma (3rd 2012 Real Estate Market Report, November 2012)

The decline in transactions was due to increasing taxes and difficulties in access to credit, in addition to a fall in household disposable income, which does not facilitate long-term investments: the uncertainty in the future therefore results in a lengthening in the purchase process and a delay in large purchases such as principal private residences.

Graph 4 – Italy: volume of corporate real estate investments
(in € bilions)



Source: Nomisma (3rd 2012 Real Estate Market Report, November 2012)

The average value of mortgages continues to decrease in line with the trend seen for at least the past 12 months. In the last 6 months of 2012 the provision of credit has experienced a fresh contraction, falling 4% and amounting to Euro 116,000 compared to Euro 121,000 in May 2011.

An expected small recovery at the end of 2012 appears remote: the downgrading of the forecasts delays the recovery of property values for another two years.

Table 4 – 13 largest cities: expected average property prices at current values
(compared to the values recorded at November 2012 and July 2012)

	Residential		Offices		Retail	
	July 2012	**November 2012**	**July 2012**	**November 2012**	**July 2012**	**November 2012**
2013	(2,4)	(4,3)	(2,9)	(4,7)	(2,8)	(4,1)
2014	(1,7)	(2,4)	(1,6)	(2,7)	(1,9)	(2,2)
2015	n.d.	0,7	n.d.	0,1	n.d.	0,2

Source: Nomisma (3rd 2012 Real Estate Market Report, November 2012)

It is necessary to highlight a further element which impacts upon the growth expectations of the sector, represented by the delays in which the prices of buildings return to positive territory compared to other indicators in the real estate market: while investments in construction and sales are expected to increase from 2014, for property prices the analysis indicates that the tide will turn in 2015.

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:

(Values in Thousands of Euro)	**31.12.12**	**31.12.11**
Realized gains	670	36
Total revenues	74,014	134,113
Interest expenses	4,812	8,137
Total costs	311,600	338,275
Profit before tax	(237,586)	(204,162)
	31:12:12	**31:12:11**
Real estate investments	1,044,749	1,267,203
Financial liabilities	175,520	211,039

The pre-tax result was a loss of Euro 237 million (loss of Euro 204 million in 2011).

The factors which impacted on the results are impairments and depreciation of approx. Euro 222 million (Euro 221million at 31/12/2011), in addition to the effects of the bankruptcy of Im.Co-Sinergia of Euro 11 million relating to the project in the Castello Area through the subsidiary Nit and the real estate project S. Pancrazio Parmense through Immobiliare Fondiaria-SAI.

Revenues in 2012, and corresponding costs, recorded a significant decrease in relation to the cessation of construction activities conducted through the Tre Torri consortium in the CityLife area, following the sale of the investment at the end of the previous year.

The reduction in financial liabilities is principally due to the repayment of bank loans with Efibanca by the subsidiaries Immobiliare Milano and Immobiliare Fondiaria-SAI, respectively in February for Euro 12.7 million and in June for Euro 3.2 million. Immobiliare Fondiaria-SAI also on October 1, 2012 repaid the mortgage of Meridiano Secondo of Euro 12 million signed with Intesa SanPaolo.
Partial loan repayments were also made by Tikal for Euro 5.3 million and Marina di Loano for Euro 2.7 million.

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

(in Euro thousands)	REVENUES	VAR.%	COST OF PRODUCTION	RESULT
REAL ESTATE SECTOR				
IMMOBILIARE LOMBARDA	15,913	(68.37)	20,087	(4,359)
IMMOBILIARE FONDIARIA-SAI	9,070	(56.83)	41,777	(31,684)
IMMOBILIARE MILANO	8,541	(53.10)	60,302	(50,628)
NUOVE INIZIATIVE TOSCANE	30	(58.43)	9,275	(9,245)
TIKAL R.E. FUND	27,972	(22.80)	87,032	(54,965)

Real estate operations

During the year, the following real estate sales operations took place:

- in order to concentrate the real estate portfolio of the Fondiaria-SAI Group in wholly-owned assets, Fondiaria-SAI and some Group companies during 2012 decided to sell a number of vacant properties, located in condominium buildings owned by third parties and throughout Italy. In relation to this operation, during the period Fondiaria-SAI signed contracts for approx. Euro 1.8 million, while Milano Assicurazioni signed contracts for approx. Euro 2.2 million - for a total of approx. Euro 4 million (Euro 15.9 million in 2011);
- Fondiaria-SAI, within the disposal programme contained in the three-year plan, also sold an office building at via Leone X No. 3 in Florence for Euro 2.9 million, in addition to a building in the province of Varese for Euro 2.2 million. In relation to the sale of units in the residential building at Milan, via Fiori Chiari, sales totaling approx. Euro 2.2 million were completed;
- Milano Assicurazioni sold two buildings in Milan, at Piazza Santa Maria Beltrade and Via Volta respectively, for a total of Euro 64 million;
- Liguria Assicurazioni sold a building at Pescara for a total value of Euro 0.5 million;
- Immobiliare Lombarda sold condominium units at via Nevio 102/C in Naples for a total of Euro 3.2 million.

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 development project in the “Porta Nuova” area of Milan, broken down into the independent projects Porta Nuova Garibaldi (in which Fondiaria 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).

The Garibaldi Repubblica area is of a fundamental importance for the city, but has remained abandoned and in decay for over fifty years. Today, the large urban project "Porta Nuova", divided into three independent projects including the above-mentioned project, which is almost complete, will see major redevelopment thanks to the construction of new offices, residential and recreational buildings, in addition to the creation of a large central urban park with new and modern cultural and exposition spaces.

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 flooring area, 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 of the previous 8,000 sq. metres, of which the other 4,000 sq. metres were sold in July 2010 to the INPGI Fund also managed by Hines Italy SGR.

The project is noted for the close attention to quality, also in relation to sustainability and respect for the environment, with a view to obtaining the LEED certification. The use of technologies which reduce pollution are particularly noted: the use of groundwater and heat pumps, the use of photovoltaic panels for the production of clean electricity, differentiated collection of production site waste, the adoption of dust and noise minimization systems and the local production of cement to reduce the impact on the road system. The area will be at the crossroads of major road networks and may be easily reached through 4 metropolitan lines (lines MM5/MM6 will join the existing MM2 and the rail link), two rail stations and an extensive network of public transport.

At December 31, 2012, the following components of the project have been completed: the Podio building, concerning the underground foundations area; Building A, Building B and Building C, Buildings E1 and E2 principally allocated for office use and the residences of Corso Como, in addition to other public areas of the project such as the Public Square (currently Piazza Gae Aulenti) and the pedestrian links to Corso Como and the Isola area.

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 2012, the construction work continued on the residential complex, the urban villas were completed while the 3 towers have nearly been completed – scheduled for 2013 in accordance with the construction programme. The sales activity continued in the year and at the end of the year 86 apartments were sold of Torre Solaria and Torre Aria for a total value of approx. Euro 146 million, in line with the financial projections. During the year, approx Euro 2.7 million was paid in the form of Profit Participation Bonds.

The Urban Redevelopment Project, called Porta Nuova Isola, concerns the area between Via Confalonieri and Via De Castilia. The area is currently in the building phase. All the structures of the buildings have been completed and the facades of the buildings for office use and the perimeter brickwork of the residential buildings are being completed.

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 service sector activity and approx. 650 sq. metres of local retail. Three underground parking storeys are also planned, of which the first two for residence parking for the buildings under construction. The third underground floor will be reserved for residents of the Isola area. The residential buildings will be constructed in blocks of 4/5 storeys, which will be developed along Via Confalonieri and two towers of 18 and 26 storeys along Via De Castillia, known as the "Bosco Verticale." Two public buildings, built to a high standard, may house social/cultural events: the first building called "Incubatore per l'Arte" (Incubator for the Arts), already completed, is located in the municipalityowned area south of Via De Castillia (Lotto Lunetta), while the second will be built in a private area to be designated as a public area close to the crossroads between Via Confalonieri and Via Volturno. At the centre of the new block, a green area will be developed which will also connect with the larger urban parks within the Porta Nuova Garibaldi Project.

Metropolis S.p.A.

The Company, incorporated in 2005, is a 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 Industry and Artisan Chamber of Commerce of Florence and was the winning consortium of the competitive procedure established by FINTECNA S.p.A. for the selection of a partner for the recovery, the transformation and the development of the former Manifattura Tabacchi of Florence real estate complex.

Metropolis holds 50% of the share capital of the company Manifattura Tabacchi, owner of the buildings.

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. The project presented provides for the recovery of the historical monumental area, equal to approx. 50% of the entire total area of 103,000 sq. metres, and the demolition of the remaining volumes.

The plan submitted to the Municipality and the Historical Works Board concerns the adoption of a Recovery Plan with related modifications to the existing town planning scheme, introduced at the end of 2011 with the simultaneous verification and beginning of the Strategic Environmental Evaluation (SEE).

It was subsequently established, based on the observations which will be provided, that the preliminary document will be redrawn in the form of an Environmental Report by the Company; the SEE process will conclude thereafter with the Summary Report. The next step concerns the simultaneous adoption of the revised urban plan and the Implementation Plan, in other words the Recovery Plan which will be presented at the beginning of 2013 and whose approval is expected by the end of the year.

Due to the placing into liquidation and administration by the shareholders BTP, Consortium Etruria and Servizi e Promozioni, the Board of Directors of Metropolis called the Extraordinary Shareholders' Meeting for the windingup of the Company, as the Company is without the necessary financial support from any of the shareholders.

The Shareholders' Meeting of March 14, 2012 approved:

- the winding-up of the company and placement in voluntary liquidation,
- appointment of the liquidator of the company conferring to him all ordinary and extraordinary powers with the exception of the power to sell the investment MT - Manifattura Tabacchi S.p.A. for which prior authorisation of the Shareholders' Meeting is necessary.

In extraordinary session, the transfer of the registered office from via Fra' Giovanni Angelico No. 58 in Florence to Corso Venezia No. 10 in Milan was approved with consequent modification and approval of the new Article 2 of the company By-laws.

During the year Immobiliare Milano Assicurazioni did not make any further payments in favour of the investee and therefore the values of the investment and of the loans are equal to 0, against the write-downs made in 2011.

Progetto Alfiere S.p.A.

Immobiliare Fondiaria-SAI S.r.l., through the company Progetto Alfiere S.p.A., 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).

Following the investigation undertaken by the council offices on the project presented by the Company on July 30, 2009 to the IX department of the Rome City Council, on March 29, 2011, the Rome City Council sent a letter to the Company in relation to the Construction Permit indicating the charges, which may be paid on an instalment basis. The total charges amount to approx. Euro 33 million. The existing building will be demolished following the first payment of the charges (approx. Euro 4 million).

During the year 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 taken place with several parties, currently being finalised, in order to obtain the best offer.

During the year, Immobiliare Fondiaria-Sai S.r.l. paid approx. Euro 0.4 million as a shareholder loan.

Following the deterioration of the underlying economic prospects of the project, the company wrote down the loan to Progetto Alfiere S.p.A. for Euro 0.6 million, further to Euro 3.7 million already provisioned in 2011.

Sviluppo Centro Est S.r.l.

Immobiliare Milano Assicurazioni S.r.l. holds 40% in the share capital 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..

The company Quadrante S.p.A. is redeveloping an area of over 60 hectares in the south east of Rome, in the Cinecittà - Torre Spaccata locality.

Considering the long period of indecision in relation to the best manner to move the project forward, at the beginning of August the company sold to Fintecna their entire 50% holding in Quadrante for a loss of approx. Euro 22 million, which renders the prospects of recovery of the investment by the shareholders difficult.

During the year Immobiliare Milano Assicurazioni S.r.l. paid Euro 1.3 million as a shareholder loan, which the company fully wrote-off considering the prospects of the operation.Nel corso dell’anno Immobiliare Milano Assicurazioni S.r.l. ha versato l'importo di circa € mil. 1,3 a titolo di finanziamento soci che la società ha ritenuto di svalutare completamente a fronte delle prospettive dell'operazione.

Penta Domus S.p.A.

The share capital of Penta Domus S.p.A. is held equally by Immobiliare Milano Assicurazioni S.r.l. and the shareholders Codelfa S.p.A., Impresa Rosso S.p.A. (now IMATO Srl inliquidation), Maire Engineering S.p.A. and Zoppoli e Pulcher S.p.A..

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.

The development continued in the year of the first building lot of approx. 18,000 sq. metres of residences, of which approx. 4,000 sq. metres social housing. The construction refers to two buildings of approximately 215 residential units, in addition to parking spaces, garages and underground storage areas. The construction work, awarded in May 2010, has almost been completed with only the internal finishings, connection to the utility services and external areas to be completed - expected in March 2013.

In December, the associated company presented to the Turin Municipality the definitive project relating to the second building lot for the Construction Permit. The project involves two buildings, with the first lot almost complete with a total gross area of 19,000 sq. metres for residential use, and which includes approx. 5,000 sq. metres of social housing. The approval time required is about 6 months.

Sales agreements have been signed for approximately 15% of the residences at year-end.

During the year the shareholder Impresa Rosso was placed in liquidation and was therefore unable to provide the shareholder loan requested by the Company.

At the end of the year, the Company, in order to cover the needs of the associated company Cinque Cerchi, approved a capital increase in several tranches. The first tranche was subscribed pro-quota by the shareholders Immobiliare Milano Assicurazioni S.r.l., Codelfa S.p.A. and Zoppoli&Pulcher. Subsequently, in January 2013, these shareholders also undertook un-opted shares, therefore changing the original shareholding in Penta Domus, as illustrated below:

- IMA S.r.l., Codelfa S.p.A., Zoppoli&Pulcher S.p.A.: equal holding approx. 24.32%;
- Maire Tecnimont Sp.A. and IMATO S.r.l in liquidation: equal holding approx. 13.52%;

During the year, Immobiliare Milano Assicurazioni S.r.l. paid a total Euro 1.5 million, of which Euro 0.3 million as a non-interest bearing shareholder loan and approx. Euro 1.3 million as a share capital increase. In January 2013, a further amount of approx. Euro 0.5 million was paid for the 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. During the year, the Beta Fund continued the management of its real estate portfolio obtaining irrevocable offers on some buildings owned which were sold during the year. The divestment project which began in October 2011 by Idea Fimit Sgr and concluded in May 2012 did not result in the formalisation of any purchase offers. Idea Fimit Sgr therefore commenced a re-negotiation process of the rents of the entire real estate portfolio owned by Beta in order to improve the commercial interest of the buildings.

Sale of IGLI S.p.A. shares

On December 27, 2011, Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. signed an agreement with Argo Finanziaria S.p.A. for the purchase by the latter of 8,040,000 IGLI S.p.A. ordinary shares all held by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l., representing a 33.33% stake of the share capital of IGLI S.p.A. It is recalled IGLI S.p.A, in turn, owns 120,576,293 Impregilo S.p.A. ordinary shares, representing a 29.96% stake of the share capital with voting rights.
The purchase price of each IGLI S.p.A. share involved in the sale was agreed at Euro 10.89572 and was determined based on an IGLI S.p.A. forecast statement of financial position at December 31, 2011 prepared giving each Impregilo S.p.A. ordinary share owned by IGLI S.p.A. a value of Euro 3.65.
Argo Finanziaria S.p.A. then designated its own subsidiary, Autostrada Torino Milano S.p.A., as the purchaser of the IGLI S.p.A. shares owned by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l.
On March 8, 2012 the sale was executed with the simultaneous payment of Euro 43,800,794.40 to each vendor.
Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. committed, on their own account and on behalf of their associates, not to purchase, either directly or indirectly, shares, rights or equity instruments of Impregilo S.p.A., financial instruments or debt securities that can be converted into shares or equity instruments of Impregilo S.p.A., as well as any option rights for the subscription and/or purchase of one of the above-mentioned instruments, for a period of 12 months from the date of the transaction.

OTHER ACTIVITIES SECTOR

Asset Management

The figures reported by Assogestioni indicate that the asset management sector recorded redemptions in December of Euro 4.3 billion. The inflows to the Managed Savings, of over Euro 0.2 billion, is not sufficient to offset the divestment in the Administered Savings (Euro 4.6 billion). Despite the outflow of funds, thanks to the performance effect, the value continued to increase to Euro 1,199 billion.
The Managed Savings report positive performances of both the Italian registered Funds, with inflows of Euro 0.51 billion and foreign registered Funds which report inflows of over Euro 0.15 billion. Open and Closed Funds hold 44% on the assets under management by the industry (Euro 530 billion).
The Bond Funds continue to attract the interest of savers with inflows of Euro 2.1 billion. The Flexible Funds also report inflow of Euro 0.48 billion.

Table 5 – Asset Management Industry: summary December 2012

(Euro millions)	NET FUNDING			ASSETS MANAGED			
	December 2012	November 2012	year to date	December 2012	%	November 2012	%
TOTAL	**(4,341)**	**852**	**(11,310)**	**1,199,186**	**100.0**	**1,196,461**	**100.0**
Managed savings	**233**	**1,556**	**3,172**	**529,769**	**44.2**	**526,824**	**44.0**
Open funds	206	1,510	1,671	486,670	40.6	483,694	40.4
Closed funds	27	46	1,501	43,099	3.6	43,130	3.6
Administered savings	**(4,573)**	**(704)**	**(14,482)**	**669,417**	**55.8**	**669,637**	**56.0**
Retail	(722)	(391)	(6,861)	92,921	7.7	93,032	7.8
Investors	(3,851)	(313)	(7,621)	576,496	48.1	576,605	48.2

Source: Assogestioni (Asset Management Monthly Map, December 2012)

Consumer credit

During 2012 the slowdown in credit to households intensified. The scenario in recent months confirmed the weakness of indicators in the sector, which returned to the values seen in 2009, the year of greatest tension in the first phase of the economic crisis.

This phase was characterised by serious difficulties for households and operators and saw a strong contraction in consumer credit (-12% in the first 9 months of 2012 compared to the previous year). On the other hand loans for smaller sums held up, such as those based on installments/option cards and other loan products, which provide for repayment plans with lower commitments.

In the mortgages segment, the sharp contraction of new loans in the first three quarters of 2012 resulted in a 57% fall on 2011, as reported by Assofin, CRIF and Pormeteia ("Research on retail credit", volume 33, December 2012). In particular, the "other mortgages" reported a sharp fall, with contraction of loans amounting to 75% compared to the first nine months of 2011, principally due to the collapse of subrogation loans, impacted by the increase in the spreads applied, which are no longer favoured by households.

Overall, up to September 2012 total credit reported a contraction for the first time on an annual basis (-1.3%), with a net outflow compared to December 2011 (calculated as difference between stock levels) of around Euro 10 billion, among the weakest compared to the average in the Eurozone, confirming the traditional prudent behaviour of Italian households in recourse to credit.

From a risk viewpoint, due to the continuing unemployment crisis and further contraction in real disposable income, there was a progressive deterioration in the quality of credit, both on property mortgages and on consumer loans, with an increase in the default rate of 1.9% and 2.4% respectively.

A slight improvement is expected in the coming months: the recovery, although modest, is expected to be delayed to 2014.

OPERATIONAL PERFORMANCE

The sector includes Group companies operating in the banking and hotel industries, and in sectors other than insurance and real estate.
The pre-tax loss was Euro 162 million (loss of Euro 102 million at 31/12/2011).
Premafin also contributed the following additional items to the consolidated result:

- provision for contractual risks of Euro 31.6 million;
- overheads and other recurrent and non-recurrent expenses amounting to Euro14.4 million;
- financial charges of Euro 19.6 million;
- extraordinary charges relating to debt restructuring amounting to Euro 2.0 million.

The poor performance is due to:

- the continued losses of Atahotels - which reports a loss of Euro 44 million compared to Euro 23 million in the previous year. The company continues to be heavily impacted by the economic crisis which contributed to a significant fall in visitor numbers at the hotels managed. The results were also impacted by the extraordinary write-downs on assets previously capitalised and the impact, still unbalanced, of the rental payments on total revenues.
- the loss of BancaSai, amounting to Euro 42 million before taxes (Euro 19 million in 2011), following the ongoing restructuring activity on the credit portfolio. The Company was also significantly impacted (approx. Euro 17 million) by the write-down of the credit positions following the bankruptcy of the Im.Co – Sinergia Group, considering also the tenuous nature of the assets received as collateral.
- the loss of Centro Oncologico Fiorentino Casa di Cura Villanova S.r.l. for Euro 17 million compared to a loss of approx. Euro 13 million in 2011, still in the start-up phase and affected by an extremely uncertain operating framework in relation to the agreements with the Public Health Service.

The key results of the main Group companies in the banking and asset management sector are summarised below in accordance with IAS/IFRS criteria:

(Values in Thousands of Euro)	**Gross income**	**Change %**	**Result**
OTHER ACTIVITIES SEGMENT			
BANCASAI	28,926	(13.36)	(28,858)
SAINVESTIMENTI SGR S.p.A.	4,942	33.57	1,983

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

(Values in Thousands of Euro)	**RESULT 2012**	**RESULT 2011**	**Change %**
OTHER ACTIVITIES SEGMENT			
ATAHOTELS	(35,287)	(22,947)	(12,340)
FINITALIA	2,297	1,910	387.00
FINSAI INTERNATIONAL	1,457	2,977	(1,520)
FONDIARIA NEDERLAND	358	745	(388)
SAIAGRICOLA	(206)	(679)	473
SAI HOLDING ITALIA	23,770	(24,854)	48,624
SAIFIN - SAIFINANZIARIA	1,023	(22,335)	23,358
SAILUX	517	415	101
SAINTERNATIONAL S.A.	(4,674)	(2,088)	(2,586)

ASSET AND FINANCIAL MANAGEMENT

INVESTMENTS AND LIQUIDITY

At December 31, 2012, the volume of investments amounted to Euro 33,883 million, compared to Euro 33,817 million in the previous year.

The investments, tangible fixed assets and liquidity at 31/12/2012 compared to the previous year are shown below.

Compared to 2010, the overall composition of investments changed as follows:

(Values in Millions of Euro)	31.12.12	Mix %	31.12.11	Mix %	Change %
Real Estate Investments	2,216.4	6.36	2,776.5	7.88	(20.17)
Investments in subsidiaries, associates and joint	126.0	0.36	116.8	0.33	7.88
Investments held to maturity	718.1	2.06	599.7	1.70	19.74
Loans and receivables	3,527.0	10.13	3,688.9	10.47	(4.39)
Available for sale financial assets	20,856.5	59.88	17,608.6	49.99	18.44
Financial assets at fair value through profit or loss	6,439.3	18.49	9,026.7	25.62	(28.66)
Total Investments	**33,883.3**	**97.28**	**33,817.2**	**96.00**	**0.20**
Property plant and equipment: property and other	376.5	1.08	405.3	1.15	(7.11)
Total Non Current Assets	**34,259.8**	**98.36**	**34,222.5**	**97.15**	**0.11**
Cash and cash equivalents	569.8	1.64	1,004.1	2.85	(43.25)
Total Non Current Assets and Cash	**34,829.6**	**100**	**35,226.6**	**100**	**(1.13)**

The investment property includes the 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 Euro 358 million (Euro 422 million at 31/12/2011) for Tikal R.E. and Euro 31 million for Athens R.E. (Euro 42 million at 31/12/2011).

In relation to the financial assets at fair value through profit or loss, they include Euro 6,335 million (Euro 8,900 million in 2011) relating to investments where the risk is borne by the policyholder and the management of pension funds, 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:

(Values in Millions of Euro)	31-dec-12	31-dec-11	Change %
Available for sale financial assets	**20,856.6**	**17,608.5**	**18.45**
Equity instruments	910.5	1,167.8	(22.03)
UCITS	639.3	801.9	(20.28)
Debt securities	19,306.8	15,636.7	23.47
Other financial assets	-	2.1	(100.00)
Financial assets at fair value through profit or loss	**6,439.4**	**9,026.6**	**(28.66)**
Equity instruments	50.0	30.6	63.40
UCITS	1,104.4	636.1	73.62
Debt securities	5,153.9	8,072.9	(36.16)
Other financial investments	131.1	287.0	(54.32)

In relation to the allocation of investments, the Group has favoured - as in previous years - the bond sector, in which the funds from the share capital increase in July 2012 were invested.

Overall the bond component of the investments, without considering the bond component of the fund units held, accounts for 81.5% of the total investments of the Group (79.2 % at 31/12/2011).

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

(Values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Change**
Net Income from financial instruments at fair value through profit or loss	**544,571**	**304,043**	**240,528**
Net Income from investments in subsidiaries, associates and joint ventures	**(14,594)**	**(5,241)**	**(9,353)**
Income from other financial instruments and investment property of which:			
- Interest income	823,936	828,565	(4,629)
- Other income	138,408	150,680	(12,272)
- Realized gains	210,914	212,559	(1,645)
- Unrealized gains	8,283	305	7,978
TOTAL INCOME	**1,711,518**	**1,490,911**	**220,608**
Charges from other financial instruments and investment property of which:			
- Interest expenses	80,037	90,584	(10,547)
- Other charges	73,113	69,277	3,836
- Realized losses	147,522	142,293	5,229
- Unrealized losses	558,420	675,354	(116,934)
TOTAL CHARGES AND INTEREST EXPENSES	**859,092**	**977,508**	**(118,416)**
TOTAL NET INCOME	**852,426**	**513,403**	**339,024**
Net Income from financial instruments at fair value through profit or loss where the investment risk is borne by policyholders (Class D)	0	328,097	(328,097)
TOTAL NET INCOME WITHOUT CLASS D	**852,426**	**185,306**	**667,121**

Net income from financial instruments recorded at fair value through profit or loss includes income relating to contracts in the Life sector whose risk is borne by the policyholders for Euro 561 thousand (net income of Euro 328 million in 2011). This increase is offset by the corresponding decrease in the insurance contract liabilities of the Life sector relating to this class of activity.

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

(€ milioni)	**2012**	**2011**
Mediobanca	45,6	-
Alitalia-CAI	39,6	-
UniCredit	15,9	57,0
Generali	13,5	48,2
Istituto Europeo di Oncologia	7,0	-
Obbligazioni governative Grecia	-	156,3
Altro	66,6	79,9
Totale	**188,2**	**341,4**

Financial management

2012 saw a retreat in global growth. The European Central Bank (ECB) played a central role in 2012 which, in the first part of the year, with the L.T.R.O.'s (Long Term

Refinancing Operations) injected into the European financial system a significant amount of liquidity and, in the second part of the year, through the announcement and the subsequent conclusion of the O.M.T. Programme (Outright Monetary Transactions), reduced the risk of collapse in the Eurozone, prompting at the same time a renewed increase in the risk appetite of investors. In essence, the programme involves the possibility of the purchase by the ECB of a potentially unlimited quantity of government bonds with maturity within three years, of those countries of the Eurozone under financial stress, following a specific request and a related undertaking by such countries of a programme approved by the Authorities in Brussels and by the ECB.

In relation to monetary policy, in the absence of inflation and a progressive deterioration in the Eurozone economy, the European Central Bank in the meeting of July cut the discount rate from 1% to 0.75%, facilitating a further lowering of the swap rates curve and at the same time of core country bond yields.

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

Country	December 31, 2011		June 29, 2012		September 28, 2012		December 31, 2012	
	Rate 10 years	Spread vs Germany	Rate 10 years	Spread vs Germany	Rate 10 years	Spread vs Germany	Rate 10 years	Spread vs Germany
Germany	1.83	-	1.58	-	1.44	-	1.32	-
France	3.15	1.32	2.69	1.10	2.18	0.74	2.00	0.68
Italy	7.11	5.28	5.82	4.24	5.10	3.66	4.50	3.18
Belgium	4.09	2.26	3.19	1.61	2.53	1.09	2.06	0.74
Greece	34.96	33.13	25.83	24.25	19.50	18.06	11.90	10.58
Ireland	8.46	6.63	6.47	4.89	5.47	4.03	4.95	3.63
Portugal	13.36	11.53	10.16	8.58	9.00	7.56	7.01	5.69
Spain	5.09	3.26	6.33	4.75	5.94	4.5	5.27	3.95

Source: Bloomberg

In the second part of the year, the series of actions taken by the ECB, greater resolve at a European political level for Banking Union and the significant amount of resources utilised in the recapitalisation of the Spanish Banking System, contributed to a further reduction in spreads of peripheral state bonds.

In Italy, although on the one hand the public purse recovery policies implemented by the technical government within a weak European economy deepened the recession with a contraction of 2%, on the other the significant improvement in the sovereign debt risk, the improved credit conditions and recovering global growth - in particular in the second half of the year - are potentially positive signs for the outlook of Italy.

The financial management in 2012 was carried out in line with the Guidelines of the Investment Policy and in compliance with the general principles of prudence and enhanced asset quality over the medium to long term.

Against the backdrop of general uncertainty and a rather weak economy, the investment policy in 2012 favoured government bonds, reducing the equity component.

Bond sector operations

Operations, both in the Non-Life and in the Life insurance sectors, focused principally on Eurozone government bonds, particularly Italian bonds.

The duration of both sectors was lengthened, in line with the profile of the relative liabilities, and with an increase in the structural profitability.

Investments in "corporate" bonds were concentrated on issuers with high credit ratings; trading activity in the year resulted in a marginal reduction in the sector.

Equity sector operations

Within the market outlined above, the 2012 performance of European equity indices - thanks particularly to strong closing months - was in positive territory. The Eurostoxx 50 index, representing the largest Eurozone capitalisations, was up 13.8% (+7.4% in the fourth quarter). The German DAX performed strongly (+29.1% and +5.5% in the last quarter), while the FTSE MIB of Milan gained 7.8% (+7.8% in the final quarter). Although within an improving environment the IBEX of Madrid was in negative territory, losing in the year 4.7% (+5.9% in the last quarter).

Outside of Europe, the Standard & Poor's 500 Index, representing the major U.S. listed Companies, was up 13.4% in the year (-1% in the fourth quarter), while the Japanese Nikkei Index, assisted by recent political decisions to draw up new expansive fiscal and monetary plans, gained 22.9% in 2012 (+17.2% in the fourth quarter).

Finally, in relation to the emerging market indices, the most representative index, the Morgan Stanley Emerging Market, reported gains of 13.9% in 2012 (+5% in the final quarter).

The strong performance of the equity and bond markets in 2012 contributed to a significant improvement in the iTraxx Senior Financial index which represents the average spread of the Companies within the financial sector with high credit ratings, which dropped by 137.2 basis points, from 278.5 to 141.3 (-62.2 basis points from 203.5 in the fourth quarter).

In relation to the equity portfolio, activity concentrated on a substantial reduction, in particular in the Non-Life insurance sector, taking profits from the strong performance of the market in the second part of the year.

The component concerning investment funds reduced, principally in the Non-Life sector, while strategic investments in December were reduced with the disposal of the Generali investment.

Fondiaria-SAI

The Class C portfolio is comprised for 75.9% fixed rate bonds, for 14.1% variable rate bonds and for 0.5% structural bonds, with 5% in shares (of which 2% "hedged"), 1.6% in property funds and 2.9% in liquidity.

The total duration of the portfolio is 4.4.

The Non-Life insurance sector is composed of 60.0% of fixed income bonds, 16.9% variable bonds, 0.4% in structural bonds, 15.3% in shares and 7.4% in liquidity.

The total duration of the Non-Life portfolio is 3.1.

The Life insurance sector is composed of 82.6% of fixed income bonds, 12.9% variable bonds, 0.5% in structural bonds, 3.0% in shares and 1.0% in liquidity.

The total duration of the Non-Life portfolio is 4.9.

At a strategic level, preference was given to investments in Government Securities in the Eurozone which represents 79.2% of the bond portfolio, while the Corporate segment represents 20.8%.

The corporate securities are, largely, belonging to the “Investment Grade” category.

The illiquid percentage in the Non-Life sector was 41.9%, while in the Life sector 56.5%.

Milano Assicurazioni

The Class C portfolio is comprised for 74.9% fixed rate bonds, for 15.9% variable rate bonds and, 0.3% in structural bonds, 3.1% in shares (of which 0.3% "hedged"), 1.3% in property funds and 4.5% in liquidity.

The total duration of the Portfolio is 3.7.

The Non-Life insurance sector is composed of 67.3% of fixed income bonds, 21.2% variable bonds, 0.2% in structural bonds, 4.3% in shares and 6.9% in liquidity.

The total duration of the Non-Life portfolio is 3.2.

The Life insurance sector is composed of 83.2% of fixed income bonds, 10.2% variable bonds, 0.3% in structural bonds, 4.5% in shares and 1.8% in liquidity.

The total duration of the Life portfolio is 4.3.

At a strategic level, preference was given to investments in Government Securities in the Eurozone which represents 84.6% of the bond portfolio, while the Corporate segment represents 15.0%.

The corporate securities are, largely, belonging to the “Investment Grade” category.

The illiquid percentage in the Non-Life sector was 45.8%, while in the Life sector 58.5%.

SNS Bank nationalization

On February 1, 2013 the Dutch Government announced the nationalisation of the bank SNS and its subsidiary SNS REAAL. Following this unilateral action the subordinated bonds, at all levels, issued by this entity were expropriated by the Dutch Government. Against this expropriation a negligible amount is expected to be paid according to current information. Both Fondiaria-SAI and Milano Assicurazioni, which held at December 31, 2012 securities subject to expropriation for a nominal value of Euro 2.5 million each, presented recourse to the Dutch court against the expropriation action and, while awaiting developments on the appeal, taking into account the level of subordination of the securities expropriated, prudently wrote-down their value in the 2012 Annual Accounts, recognising a loss in line with the nominal value.

DEBT OF THE GROUP

In order for a correct representation of the accounts under examination, information is provided below of the financial payables, which is the total amount of the financial liabilities for which it is not possible to establish a correlated specific asset account.

The situation is summarised in the table below, which highlights a reduction in debt of approximately Euro 7 million:

(Values in Millions of Euro)	**31.12.12**	**31.12.11**	**Change**
Subordinated loans	1,048.1	1,049.5	(1.4)
Debt from banks and other borrowers	651.3	642.9	8.4
Total debt	**1,699.4**	**1,692.4**	**7.0**

This variation is mainly due to the increase in Premafin's indebtedness following the entry into force of the so-called Phase 1 of the Convention for Debt Restructuring that brought about, amongst other things, an increase in debt of about Euro 45 million following the early settlement, through physical delivery, of the equity swap contract drawn on Fondiaria-SAI ordinary shares, and about Euro 6 million for the capitalisation of financial costs accrued up to the date of debt restructuring, offset by the reduction in debt, mainly due to repayments by the subsidiaries Immobiliare Milano and Immobiliare Fondiaria-SAI, respectively in the month of February for Euro 12.7 million, and in the month of June for Euro 3.2 million, of bank loans entered into with Efibanca. Immobiliare Fondiaria-SAI also on October 1, 2012 repaid the mortgage of Meridiano Secondo of Euro 12 million signed with Intesa SanPaolo. In addition, BancaSai partially repaid on its bonds for Euro 14.2 million, with repayments also on the loans of Tikal for Euro 5.2 million and Marina of Loano for Euro 2.7 million.

The account Subordinated loans includes the following loans with Mediobanca, with prior authorisation from IVASS (previously ISVAP):

- A subordinated loan of Euro 400 million undertaken by Fondiaria-SAI, agreed and issued on 23/07/2003. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. This loan was obtained in order to increase the constituent elements of the solvency margin;

- A subordinated loan of Euro 100 million agreed by Fondiaria-SAI on 20/12/2005 (received on 31/12/2005), with the same sub-ordination characteristics of the previous loan. The interest rate is Euribor at 6 months +180 basis points and it is repayable in five equal annual instalments from the 16th anniversary of the loan;

- A subordinated loan of Euro 300 million agreed on 22/06/2006 (received on 14/07/2006), subscribed 50% by Fondiaria-SAI and the other 50% by Milano Assicurazioni. This loan also provides for interest at Euribor at 6 months +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 Group for the part provided by the subsidiary Milano Assicurazioni. On July 14, 2008, Milano Assicurazioni made a partial advance repayment of this loan for Euro 100 million;

- Hybrid, perpetual subordinated loan of Euro 250 million agreed and received on July 14, 2008 subscribed by Fondiaria-SAI. The interest rate is Euribor at 6 months +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 Euro 100 million agreed and received on July 14, 2008 subscribed by Milano Assicurazioni. The interest rate is Euribor at 6 months +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 Euro 1,050 million, Interest Rate Swaps were subscribed with the purpose of neutralising the interest rate risk associated with these loans for Euro 1,050 million. In accordance with CONSOB Resolution No. DEM/6064293 of 28/7/2006, the subordinated and/or hybrid payables are supported by specific contractual clauses protecting the rights and interests of the lenders.

In relation to the subordinated loan of Euro 300 million of 22/6/2006 (undertaken 50% by Fondiaria-SAI S.p.A. and the other 50% by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) establishes, as a general obligation of the Parent Company, the continued control (in accordance with 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..

In relation to the hybrid loan of Euro 350 million of 14/7/2008, the conversion into shares of the Parent Company (or of the subsidiary Milano Assicurazioni for the part issued of Euro 100 million) is subject to, in addition to any resolution by the extraordinary shareholders' meeting of the Parent Company of a share capital increase to service the conversion in line with the contractual terms indicated, the occurrence at the same time (and for a consecutive three year period) of the following situations:

(i) the downgrade of the Standard & Poor's rating (or any other agency to which the Parent Company is voluntarily subject, no longer being 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.

No clauses are in place in the Group loan agreements (other than those indicated above) which place limitations on the use of significant financial resources for the activities of the Issuer.

In consideration of the recent capital increase, already described in detail, this disclosure was made despite non-compliance of the above clauses not being evident and therefore limited likelihood of the events contractually established for the protection of investors.

The main features of the subordinated and/or hybrid loans relate in general not just to the repayment of such before the payment of all other payables owing to the lending company at the settlement date, but also the need to obtain, in accordance with the applicable regulation, prior authorisation for repayment by IVASS (previously ISVAP).

It is also reported that, with reference to the order C/11524 in relation to the "Evaluation of the measures to be prescribed" and, in particular, with reference to the "Measures relating to the shareholding ties of the post-merger entity with Mediobanca" initiated on April 26, 2012 by the Supervisory Authority in relation to the companies Unipol Gruppo Finanziario S.p.A., Premafin Finanziaria S.p.A., Fondiaria-SAI S.p.A., Milano Assicurazioni S.p.A., Unipol Assicurazioni S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A. and Assicurazioni Generali S.p.A., the net debt of Fondiaria-SAI and Milano Assicurazioni will be reduced, as well as the "post-merger" entity with Mediobanca, in order to significantly reduce the ties with this latter.

With reference to Banks and other lenders, mounting to Euro 651,3 million, the most significant amounts are detailed below:

- Euro 377.1 million (Euro 315.9 million at 31/12/2011) relating to Premafin's Pre-Acquisition Modified Loan Agreement (Contratto di Finanziamento Modificato Ante Integrazione), covered by the Debt Restructuring Agreement which was entered into with the lending banks on 13 June 2012 within the context of the recovery plan drawn pursuant to Article 67 of the Bankruptcy Law (L.F.);

- Euro 111.3 million (Euro 116.5 million at December 31, 2011) relates to the loan signed by the Tikal R.E. Closed Real Estate Fund with Mediobanca as the Agent Bank. The loan, originally for Euro 119 million, was issued for the purchase of property and improvements and at 31/12/2012 slightly over Euro 5 million had been repaid. The cost of the loan is Euribor at 3 months 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;
- Euro 84.8 million (Euro 99 million at December 31, 2011) which relates to the bonds issued in 2009 and 2010 by BancaSAI in part at a variable interest rate and in part at a fixed interest rate, with due dates which range from 2012 to 2014;
- Euro 53.7 million (Euro 71.7 million at December 31, 2011) entirely refers to the consolidated debt of the subsidiary Immobiliare Fondiaria-SAI. This refers principally to the bank loan signed by Marina di Loano with Intesa SanPaolo as the Agent Bank due March 17, 2014 and with an interest rate of Euribor at 3 months +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;
- Euro 24.4 million (Euro 26.6 million at 31/12/2011) are in relation to subsidiary Finadin's outstanding debt with Banca Popolare di Milano and Banco Popolare, that were the subject of amended agreements during the financial year.

  The residual amount relates to other insignificant payable positions.

Premafin debt

The increase in Premafin's debt is mainly attributable to the Phase 1 of the Debt Restructuring Agreement coming into force, that involved, amongst others, an increase of approximately Euro 45 million in connection with the early termination through physical delivery of the equity swap contract on Fondiaria-SAI ordinary shares, and of approximately Euro 6 million for the capitalisation of financial charges accrued up to the date of the debt restructuring.

The financial debt position did not benefit from the proceeds arising upon the Company's share capital increase subscribed by UGF in July 2012, as the latter was entirely utilised for the direct and indirect acquisition, through Finadin, of the relative portions of Fondiaria-SAI's share capital increase.

<u>Covenants, negative pledges and other clauses relating to the debt of the Company and of the Group of which it forms part</u>

Upon the completion of Premafin's share capital increase on 19 July 2012, Phase 1 of the Debt Restructuring Agreement, entered into by the Company and the pool of lending banks, became effective on 13 June 2012. In this regard, it is hereby noted that the previous loan agreement included the following main covenants:

- the net debt to shareholders' equity ratio is not to exceed 1.10;
- early debt repayment in case that the solvency margin falls below 100% in two consecutive annual submissions as from financial year end 2011, unless the position is rectified though actions carried out within the financial year in which

the margin fell below 100% and completed within six months from the end of the same financial year end;

- a pledge not to enter into new financial debt agreements, except for the purpose of covering the interest rate risk related to the debt;
- a pledge not to provide intragroup loans and other intragroup treasury transactions for a total maximum amount of Euro 15 million;
- the retention by part of Premafin's Shareholders' Agreement of a holding of not less than 30% of the voting capital of Premafin and the retention of Premafin's holding in Fondiaria-SAI at not less than 30% of the voting capital.

One is to note that the net debt to shareholders' equity ratio, based on the 2011 financial statements that had been approved at the shareholders' meeting dated 12 June 2012 resulted to be higher than the 1.10 threshold. However, pursuant to the aforementioned Debt Restructuring Agreement, the Financial Lenders agreed and committed to suspend any legal or contractual remedy action to which they were entitled under the loan agreement and the equity swap contract.

Upon the coming into force of Phase 1, and the Pre-Acquisition Modified Loan Agreement becoming fully effective, and from when the financial statements at 31 December 2012 became available until the debt exposure was completely repaid, Premafin pledged:

- to maintain the ratio between the Net Financial Debt, after deducting intragroup loans as permitted in the loan agreement, and Net Shareholders' Equity of the beneficiary company calculated on statutory data (the "Financial Ratio") below the 1.20 threshold plus a permitted 10% negative deviation;
- to ensure that the Financial Ratio is periodically checked against certified annual financial statements of the Company, as well as on the basis of specific six monthly ad hoc statutory financial statements drawn up by the Company itself;

As concerns the contract currently in place, it should be noted that the provisions in relation to the possible fall in the consolidated solvency margin (as from the value measured at 31 December 2012) and the prohibition to enter into new debt agreements remained essentially unchanged, albeit the possibility for UGF to provide Premafin with intercompany loans and/or other treasury transactions, subject to certain conditions, has been introduced.

In relation to the negative pledges, Premafin committed to, and will ensure that, Finadin and the relevant subsidiaries (excluding Fondiaria-SAI) pledge to:

(a) not grant pledges, mortgages or guarantees of any other nature, (except for the pledge on Fondiaria-SAI shares and on VAT sureties), not assign any receivables, nor create restrictions or grant voluntary privileges on its assets, tangible or intangible, or receivables whether present or future, in favour of other creditors other than the Financial Lenders. This is without prejudice to the privileges and further guarantees as required by law, and except for (i) anything that is already subject to existing contractual obligations and collaterals at Premafin and/or Finadin and/or the relevant subsidiaries at the terms and conditions laid down from time to time, and (ii) the ordinary activities of Premafin and Finadin, up to a limit of Euro 5,000,000.00;

(b) not maintain assets pursuant to and for the purposes of Article 2447bis of the Civil Code.

The establishment of the existing collateral on the pledge on Fondiaria-SAI shares is not included in the prohibition above, as it had been granted to allow the full and simultaneous repayment of the outstanding debt exposure.

The obligation to repay the loan, upon the occurrence of specified types of changes in the holding company, remained as did the commitment on Premafin to maintain a holding of at least 30% of the voting capital of Fondiaria-SAI subject to cancellation of the investment itself, as a result of the proposed merger.

To date, there have been no instances of non-compliance with covenants, negative pledges and other terms of the loan agreement.

Status of progress of the Recovery Plan

On 19 July 2012, in implementing the Investment Agreement with UGF dated 29 January 2012, the latter completed the increase in share capital of Premafin that had been approved by the extraordinary shareholders meeting of 12 June 2012 and hence became the controlling parent of Premafin with a holding of approximately 81% of its share capital. The cash proceeds from Premafin's capital increase, amounting to Euro 339.5 million, were fully utilised by Premafin and its subsidiary Finadin in the immediate acquisition of the respective holdings in Fondiaria-SAI's capital increase, and more specifically, for:

i) the acquisition by Premafin of 292,488,840 new Fondiaria-SAI ordinary shares through exercise of options rights on Fondiaria-SAI shares held directly;
(ii) the acquisition, always by Premafin, of 8,753,472 new Fondiaria-SAI ordinary shares through exercise of option rights on shares received upon the agreed termination of the equity swap contract with UniCredit;
(iii) the acquisition by Finadin, by utilising the interest free loan advanced by Premafin, of 38,299,464 Fondiaria-SAI ordinary shares through exercise of option rights on Fondiaria-SAI shares held by Finadin.

Upon the completion of Premafin's share capital increase on 19 July 2012, Phase I of the Debt Restructuring Agreement, entered into by the Company, with the pool of lending banks on 13 June 2012, came into force. More specifically:

(i) the Pre-Acquisition Loan Agreement, aimed at restructuring the debt arising from the loan agreement originally entered into on 22 December 2004, and amended and extended several times, as well as at deferring payment arising upon the agreed termination of the equity swap contract, totalling Euro 375.1 million, inclusive of interests accrued since the last interest payment. The Agreement provides, inter alia, for rescheduling of the debt's maturity to 31 December 2020 (subject to the coming into force of the Pre-Acquisition Loan Agreement and the GE Capital Agreement, as specified in the Debt Restructuring Agreement);

(ii) the New Act of Confirmation ("Nuovo Atto di Conferma") of the crystallized pledge on 1,160,670 ordinary shares of Fondiaria-SAI (116,067,007 shares pre the reverse split that took place on 2 July 2012). This pledge provides for the non-realisation of, or diminution in, the acquisition mechanism, and it does not extend to any other Fondiaria-SAI shares owned by Premafin resulting, among others things, from the increase in capital that Fondiaria-SAI approved on 19 March 2012 and confirmed on 27 June 2012;

(iii) the amended loan agreements of subsidiary Finadin with Banca Popolare di Milano Soc. Coop. a r.l. (hereafter "BPM") amounting to approximately Euro 12.6 million and with Banco Popolare Soc. Coop. (hereafter "BP") amounting to approximately Euro 12.7 million respectively which both mature on 31 December 2013, have come into force. These agreements continue to be covered by a pledge on 65,727 Fondiaria-SAI shares after the reverse split in favour of BPM and on 62,120 Fondiaria-SAI shares after the reverse split in favour of BP. As concerns the pledge guarantee given in favour of the two lending banks on the Fondiaria-SAI ordinary shares held by Finadin, the previous mechanism of supplementing/releasing partially the guarantees does not apply. It is not envisaged that the pledge will be extended to the newly issued shares upon the capital increase of Fondiaria-SAI. A cash sweep mechanism, that provides for the mandatory pro-rata prepayment of the two exposures, has been introduced in relation to:

- cash proceeds received from shareholder SAIFIN – Saifinanziaria S.p.A. in relation to the share capital increase of Finadin;
- proceeds from any future dividends by Fondiaria-SAI;
- proceeds from income deriving from subsidiary Scontofin S.A., up to a maximum limit of Euro 1 million.

On 14 November the Board of Directors of UGF resolved on the commencement of the management and co-ordination activities in relation to Premafin, Fondiaria-SAI and also in relation to all the companies that are managed and coordinated by these companies.

On 20 December, the Boards of Directors of Premafin, UGF, Unipol Assicurazioni, Fondiaria-SAI and Milano Assicurazioni, approved the plan for the merger by incorporation of Unipol Assicurazioni, Premafin and Milano Assicurazioni in Fondiaria-SAI (the "Merger") and, inter-alia approved:

- the exchange ratios at which shares of the companies involved in the merger and the shares of the acquiring company, Fondiaria-SAI are to be exchanged;
- the percentage shareholding in the share capital of UNIPOLSAI (the new name of the company resulting post-merger), constituted by ordinary and savings shares from the Merger;
- the 2013-2015 Joint Business Plan of the incorporating company.

With regard to Milano Assicurazioni, the Merger is expected to be also subject to the approval of the Special Meeting of the Company's savings shareholders since they will receive, upon the exchange, Fondiaria-SAI Class "B" savings shares, which are subordinated, in terms of privilege rights, to Fondiaria-SAI Class "A" saving shares in issue.

In the case that such a Meeting does not approve the Merger, it is expected that the merger of Premafin and of Unipol Assicurazioni in Fondiaria-SAI will be continued. If otherwise approved, those Milano Assicurazioni savings shareholders that did not participate in the said deliberation will have the right of withdrawal pursuant to and by effect of Article 2437, paragraph 1(g) of the Civil Code (c.c.),

The right of withdrawal will also apply to those Premafin shareholders that did not participate in the deliberations about the Merger. In line with what has already been communicated to the public, the former major shareholders of Premafin will therefore not be entitled to the right of withdrawal.

Finally, within the context of the operation, it is expected that the proxy, pursuant to Articles 2420-ter and 2443 of the Civil Code, to decide upon a convertible bond issue in favour of Premafin's financing banks as stipulated in the Recovery Plan, will be submitted to the approval of Fondiaria- Sai's shareholders meeting.

The completion of the Merger, expected in the second quarter of 2013, is subject to the authorisation from the Regulatory Authority supervising the insurance sector and from other competent local and foreign regulatory authorities, as well as to the maintenance of extensions and authorisations that have already been obtained.

To date, the Recovery Plan that was approved by the Company on 30 March 2012, as amended and supplemented by the relevant addendum approved on 17 May 2012, is proceeding according to plan.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

The Company did not hold any own shares at 31 December 2012, whilst subsidiary Fondiaria-SAI S.p.A. held, directly and indirectly, 27,564,325 Premafin ordinary shares.

Upon the acquisition of the increase in share capital reserved to UGF, the percentage of Premafin's share capital held directly and indirectly by Fondiaria-SAI decreased from 6.72% to 1.28%.

PERFORMANCE OF LISTED GROUP SHARES

On 12 June 2012 Premafin, as resolved by its Shareholders' Meeting in accordance with Article 2446 of the Civil Code (c.c.), reduced its capital, due to losses, from Euro 410,340.2 thousand to Euro 141,441.1 thousand.

On 19 July 2012 UGF completed the capital increase in Premafin that had been approved in the extraordinary meeting of 12 June 2012 and that was reserved to UGF, by subscribing to, and fully paying for, 1,741,239,877 newly issued unlisted Premafin ordinary shares. The shares offer regular dividends and the same rights as the Premafin ordinary shares in issue and were issued at an issue price of Euro 0.195 per share, amounting to Euro 339,541.8 thousand.

As a result, the Share Capital, totalling Euro 480,982.8 thousand, is constituted by 410,340,220 listed ordinary shares without par value and by 1,741,239,877 unlisted shares without par value. The share capital is fully issued and paid up.

During 2012, Premafin shares registered their lowest price of Euro 0.126 on 21 December 2012 and their highest price of Euro 0.498 on 27 February 2012.

At the end of the financial year, the share price on the stock exchange was as follows:

(Values in Euro)	**28.12.12**	**31.12.11**	**Change %**
Premafin ord.	0.128	0.125	2.4

The corresponding market capitalisation as at year end is equal to euro 53 million (euro 51 million as at 31/12/2011)

The share prices on the stock exchange of listed subsidiaries were as follows:

(Values in Euro)	**28.12.12**	**31.12.11**	**Change %**
Fondiaria SAI ord.	0.950	1.596	(40.5)
Fondiaria SAI saving shares Type A	79.361	34.054	133.0
Fondiaria SAI saving shares Type B	0.673	-	-
Milano Assicurazioni ord.	0.313	0.229	37.0
Milano Assicurazioni saving shares	0.365	0.186	95.5

The Fondiaria-SAI stock exchange price at 30/12/2012 has been restated to reflect the effects of the reverse share split and the increase in share capital that took place in 2012.

The corresponding listed stock capital of subsidiary Fondiaria-SAI at the end of the year amounted to Euro 1,192 million (Euro 271 million at 31/12/2011), whilst subsidiary

Milano Assicurazioni registered listed stock capital of Euro 614 million (Euro 440 million at 31/12/2011).

RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS

Rating

On January 31, 2012, Fitch Ratings, following Group announcements through press releases, lowered the Public Informations (P.I.) rating of Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A. to B+ from BB-. The Rating Watch was also modified to Evolving from the previous Negative. Fitch Ratings stated that the Rating Watch Evolving (RWE) reflected a still uncertain situation on the realisation of the capital increase and the proposed integration project between Fondiaria-SAI, Unipol Assicurazioni, Premafin and Milano Assicurazioni.

The improvement of the RWE and the consequent revision of the rating, according to the agency, could take place on the completion of the capital increase of Fondiaria-SAI and the above-mentioned integration process.

On July 10, 2012, Fitch Ratings communicated its decision to withdraw the P.I. rating (B+/Rating Watch Evolving) of Fondiaria-SAI S.p.A. and of its principal subsidiary Milano Assicurazioni S.p.A..
Fitch Ratings advised the reason for this decision was that it could no longer maintain coverage of the company as it does not have sufficient public information available for such purposes.

On August 9, 2012, the rating agency Standard & Poor's improved the rating of Fondiaria-SAI S.p.A. to "B+" from "B" and of the principal subsidiary Milano Assicurazioni S.p.A., in addition to the non-strategic subsidiary SIAT S.p.A., assigning also a "positive" Creditwatch (from the previous "developing"). The elevation was due to the improved capitalisation of Fondiaria-SAI as a result of the share capital increase, for the part subscribed at that date.
The positive Creditwatch reflected the proposed merger between the Company and Unipol Assicurazioni and therefore the potential benefits of the integration on the post merger financial capacity of Fondiaria-SAI.

On November 9, 2012 the ratings agency Standard & Poor's improved to "BB" from "B+" the rating of Fondiaria-SAI S.p.A. and its subsidiaries Milano Assicurazioni S.p.A. and SIAT S.p.A., confirming also the "positive" Creditwatch. The upward revision followed the progress made in the integration with the Unipol Group and the strengthened capital base of Fondiaria-SAI as a result of the capital increase completed in September 2012.
The "positive" Creditwatch continued to reflect the proposed merger between the Company and Unipol Assicurazioni, PremafinHP and Milano Assicurazioni and the potential related benefits from the merger and the financial support available to Fondiaria-SAI from the Unipol Group.

On December 14, 2012, the rating agency Standard & Poor's improved the rating of Fondiaria-SAI S.p.A. to "BBB" from "BB" and removed the Creditwatch while assigning a negative Outlook. The upward revision follows the progress made in the integration with the Unipol Group and the definition as "core" entity from the previous "non-strategically important" within the Unipol Group.

The negative Outlook again reflected the potential risks considered by the rating agency to the execution of the integration.

OTHER INFORMATION

Premafin Fondiaria-SAI – Declaration of insolvency of IM.CO. and Sinergia

On 14 June 2012, the second civil chamber of the court of Milan declared IM.CO. and Sinergia bankrupt.

The Board of Directors of Fondiaria-SAI at its meeting on June 14, 2012, took note of the bankruptcy order issued by the second civil division against Im.co S.p.A. in liquidation ("Im.co"), as well as Sinergia Holding di Partecipazioni S.p.A. ("Sinergia") in liquidation.

In relation to this declaration of bankruptcy, on 19 June 2012, Premafin announced that, upon an initial assessment of the outstanding balances with the above mentioned companies, the only significant balance is that arising on sureties given by Imco and its subsidiaries for contingent liabilities/charges arising on the promise of sale to third parties of sites in the municipality Milan, as disclosed in the Company's financial statements.

The transactions of the Fondiaria SAI Group in place at December 31, 2012 remain unchanged compared to those at the bankruptcy declaration date as indicated below:

- Euro 101.7 million owed to Milano Assicurazioni from Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to the initiative in Via Fiorentini in Rome. This receivable, net of the write-down, amounts to Euro 52.9 million;
- Euro 77.4 million owed to Milano Assicurazioni S.p.A. from Im.Co relating to the initiative in Via De Castillia in Milan. This receivable, net of the write-down, amounts to Euro 25.5 million;
- Euro 23.3 million owed to Immobiliare Fondiaria-SAI S.p.A. from Im.Co relating to the San Pancrazio Parmense (PR) initiative. This receivable, net of the write-down, amounts to Euro 7.8 million;
- Euro 7.2 million owed to Nuove Iniziative Toscane S.p.A. from Europrogetti S.p.A. on account for design work; The amount was completely written-down;
- Euro 21.4 million relating to receivables of BancaSai from the Im.Co-Sinergia Group, of which approximately Euro 10.7 million concerns unsecured receivables. The receivable amounted to Euro 12.8 million, net of provision for impairment at 30/6/2012 and had been fully impaired at 31/12/2012;
- Approx. Euro 3.5 million, net of reinsurance, relating to financial guarantees policies for obligations undertaken by companies which are part of the Im.Co-Sinergia Group which have already been accounted for in the cost of claims.

  Regarding the level of exposure relating to financial guarantees policies, a further Euro 5.8 million is reported, net of reinsurance.

Following the bankruptcy judgment, the estimated realisable value of the receivables carried out by an independent expert was calculated based on the assumption of two competitive auctions with a reduction of around 36% in the appraisal value. For Avvenimenti e Sviluppo Alberghiero, a subsidiary of Im.Co, in the case of liquidation, a discount of 20% on the expert's valuation is assumed.

For the purpose of distributing the amount recovered between the creditors, consideration was given to the grounds for seniority, in addition to the statutory privileges (employees and tax authorities) and procedural costs.

The estimate of the recovery time, varying depending on the creditor profile, is expected to be in line with the procedural period. The receivables were discounted using a tax free risk, equal to the yield on Italian 10-year bonds, as the parameters related to the risk are already explicitly considered in the discount applied to the recoverable value.

It should be noted that, with reference to the future real estate projects to be constructed (projects at Via De Castilla and S. Pancrazio Parmense in Milan) and the receivables due to BancaSai, Milano Assicurazioni, Immobiliare Fondiaria-SAI and BancaSai, such were recorded as non-secured creditors.

Following the intervening declaration of bankruptcy of Sinergia and IM.CO., in view of the risk that IM.CO. and it subsidiaries do not honour sureties given for contingent liabilities/charges arising on the promise of sale to third parties of sites in the municipality of Milan (Comune di Milano) and also considering the writ of summons delivered by the "Comune di Milano" on 11 October 2012, Premafin considered it appropriate to strengthen its provision for contractual risks.

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

ISVAP, in its Note dating 15 June 2012, states that it had observed serious irregularities in the subsidiary Fondiaria-SAI that warranted the adoption of measures stipulated by Article 229 of Legislative Decree 209 of 7 September 2005 of the Italian Insurance Code. The latter provides for the appointment by ISVAP of an officer, "commissario ad acta".

Reference is made to the press releases of the Group dated 18 June 2012, 19 June 2012, 26 June 2012 and 2 August 2012, in which information is published on the state of the investigations launched by the subsidiary on the matter. It is announced that the Board of Directors resolved to call a shareholders' meeting before 31 October 2012 and that a Committee of Independent Directors be identified and appointed for the purpose of investigating the beneficiaries of such actions, the individuals' misconduct and damages caused. In a communication dated 12/09/2012, the Authority resolved that the proposed actions suggested by the Company were not sufficient to rectify the circumstances that led to the infringement accusations contained in its Note of 15 June 2012. IVASS inferred that it was its view that Fondiaria-SAI was reluctant to rectify the situation.

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

1) "in relation to the instances subject to the accusations contained in ISVAP's Note n. 32-12-000057 dated 15 June 2012 considered both individually and overall:

    - Identify specifically the individuals responsible for the transactions carried out to the detriment of Fondiaria-SAI and its subsidiaries**;**
    - Determine the damage caused by acts and omissions, whether intentional or through negligence, carried out by such individuals in all areas investigated;

2) as a result of, and in carrying out, the actions required by point 1, instigate, promote and encourage all adequate actions, including legal actions, to ensure that Fondiaria-SAI's and its subsidiaries' equity is restored and safeguarded in all the areas under scrutiny;

3) exercise, for the purposes referred to in points 1) and 2), the powers vested in Fondiaria-SAI as the Group's parent company and as a partner in subsidiaries' meetings.".

Further details on the extension to the mandate given to the commissario ad acta are provided in the section "Significant events after the financial year-end".

Subscription by UGF to Premafin's share capital increase

On 19 July 2012, UGF and Premafin acknowledged and confirmed that the required conditions pursuant to paragraph 3.1 of the Investment Agreement dated 29 January 2012, had been satisfied or had been otherwise waived. Consequently, the completion of the subscription to the Share Capital Increase in Premafin by UGF, with Date of Execution fixed at 19 July 2012, and of the subscription by Premafin and Finadin to the Share Capital Increase in Fondiaria-SAI, respectively, followed.

As a result, on the same date, UGF completed the increase in share capital in Premafin that had been approved by the extraordinary shareholders' meeting of 12 June 2012 and that was reserved to UGF, by subscribing and fully paying for a total of 1,741,239,877 unlisted newly issued Premafin ordinary shares, with regular dividend and the same rights as Premafin ordinary shares in issue, at an issue price of Euro 0.195 per share and amounting to Euro 339,541,776.02.

Upon this subscription, UGF became the controlling shareholder of Premafin with a holding of approximately 81% of its share capital, and also of its group companies, including Finadin. Pursuant to the Agreement, this acquisition also provided Premafin with the financial resources to enable it, and its subsidiary Finadin, to subscribe to their respective proportions of the share option issue amounting to Euro 1,100,000,000.00 that had been resolved upon by the shareholders' meeting of Fondiaria-SAI on 19 March 2012, and subsequently confirmed on 27 June 2012, and that was to be carried out on the following conditions:

- issue price equal to Euro 1 per ordinary share and Euro 0.565 per class B savings share;
- the ratio for the options was set at 252 new ordinary shares for every 1 ordinary share held and 252 new class B savings shares for every 1 class A savings share held.

Premafin – subscription to Fondiaria-SAI's share capital increase

On 19 July 2012, the proceeds from the share capital increase of Premafin, subscribed to and paid for by UGF on the same date, were fully utilised by the said Company, and its subsidiary Finadin, for the immediate subscription and payment of the respective holdings in the increase in Fondiaria-SAI's capital, and more specifically for:

(i) the acquisition by Premafin of 292,488,840 new Fondiaria-SAI ordinary shares through exercise of options rights on Fondiaria-SAI shares held directly;

(ii) the acquisition, always by Premafin, of 8,753,472 new Fondiaria-SAI ordinary shares through exercise of option rights on shares resulting from the agreed termination of the equity swap contract with UniCredit;

(iii) the acquisition by Finadin of 38,299,464 Fondiaria-SAI ordinary shares through exercise of option rights on Fondiaria-SAI shares held by Finadin.

Apart from completing the acquisition of its respective holding in Fondiaria-SAI's share capital issue, always on 19 July 2012, Premafin advanced to Finadin, in accordance with the Recovery Plan and pursuant to Article 67 of the Bankruptcy Law, an interest-free loan amounting to Euro 38,299,464.00, as approved by the parent company on 30 March 2012, and aimed at finalising the implementation of the Agreement.

Such loan will be repaid to the parent company from any proceeds that might still be available to Finadin once the loans provided by BPM and BP have been fully settled as stipulated in the company's financial plans.

Through the abovementioned transaction, on 19 July 2012, Finadin has thereby fully utilised the total proceeds advanced by the parent company in subscribing and paying for a total of 38,299,464 newly issued Fondiaria SAI ordinary shares, through the exercise of option rights on the 151,982 Fondiaria SAI shares held by the said company on the same date.

Merger plan

On 20 December 2012, the Boards of Directors of Premafin, UGF, Unipol Assicurazioni, Fondiaria-SAI and Milano Assicurazioni, approved the plan for the merger by incorporation of Unipol Assicurazioni, Premafin and Milano Assicurazioni in FonSAI, including inter-alia:

- the exchange ratio between the shares of companies involved in the merger and the shares of the acquiring FonSAI;
- the percentage of participation in the share capital of UnipolSai (the new name of the company resulting from the Merger) represented by ordinary shares and savings shares of the surviving company of the Merger;
- the Joint Business Plan 2013-2015 of the merging.

With regard to Milano Assicurazioni is expected that the Merger is subject also to the approval of the Special Meeting of savings shareholders of the company as recipients in the share exchange, of savings shares of category "B" of FonSAI, subordinated to the privilege of priority to savings shares of category "A" in circulation.

In the case that such a Meeting does not approve the Merger, it is expected that the merger of Premafin and of Unipol Assicurazioni in FonSAI will be continued. If otherwise approved, those Milano Assicurazioni savings shareholders that did not participate in the said deliberation will have the right of withdrawal pursuant to and by effect of Article 2437, paragraph 1(g) of the Civil Code.

The right of withdrawal also will be up to the shareholders of Premafin who did not participate in the deliberations on the Merger. According to what has already been communicated to the market, the right of withdrawal may not touch, therefore, to the former shareholders of Premafin.

Finally, within the context of the operation, it is expected that the proxy, pursuant to Articles 2420-ter and 2443 of the Civil Code, to decide upon a convertible bond issue in favour of Premafin's financing banks as stipulated in the Recovery Plan, will be submitted to the approval of FonSai's shareholders meeting.

The completion of the merger, expected in the second part of 2013, is subject to authorization by the Supervisory Authority of the insurance industry and other relevant domestic and foreign regulatory authorities, as well as the maintenance of the exemptions and authorizations already obtained.

Shareholder structure of UnipolSai

Based on the Share Swap Ratios approved, the shareholdings determined and communicated to the market last June remain substantially confirmed.

	Press Release June, 2012 % share capital	Approved on December 20, 2012 % share capital
UGF	61.00	61.00
Ex Premafin	0.85	0.85
Ex Fondiaria-SAI	27.45	27.46
Ex Milano	10.70	10.69
Total	**100.00**	**100.00**

Following the purchase of Fondiaria-SAI ordinary shares by UGF within the capital increase of Fondiaria-SAI completed in September 2012 for a total shareholding of 4.9% of the ordinary share capital ("Fondiaria-SAI Capital Increase"), the holding of UGF in the ordinary share capital of UnipolSai will be 63%.

The table below indicates the shareholders of UnipolSai at the effective statutory date of the merger, taking into account also the subscription by UGF of the Fondiaria-SAI Class "B" savings shares issued under the Fondiaria-SAI Capital Increase in September 2012 and which remained un-opted at the end of the rights period.

	% share capital	% share capital Class A	% share capital Class B	% share capital Total
UGF	63.00	-	63.79	63.09
Ex Premafin	0.85	-	-	0.73
Ex Fondiaria-SAI	25.46	100.00	21.51	24.92
Ex Milano	10.69	-	14.70	11.26
Total	**100.00**	**100.00**	**100.00**	**100.00**

Description of the operation

The Merger will take place through the incorporation of Premafin, Unipol Assicurazioni and Milano Assicurazioni (the "Companies being Merged") into Fondiaria-SAI (the "Merging Entity"). Following the Merger, all the shares of the Companies being merged will be cancelled and exchanged for shares of the Merging Entity. In order to undertake the share swap, the Merging Entity will: (i) assign the Fondiaria-SAI ordinary shares owned by the Companies being Merged, without this becoming part of UnipolSai; (ii) increase its share capital for a maximum amount of Euro 953,894,503.64, through the issue of a maximum of 1,632,878,373 new ordinary shares and a maximum of 55,430,483 new Class "B" savings shares, all without par value, however where at the effective statutory date of the Merger the number of Fondiaria-SAI ordinary shares held by the Companies being Merged remains unaltered, the capital increase for the share swap will be lower.

The new ordinary shares and the Class "B" savings shares of the Merging Entity will have the same rights (and, with regard to the savings shares, also in terms of accumulation and preference rights) and will be listed on the same terms as the shares of the Merging Entity already in circulation.

In relation to Milano Assicurazioni, the Merger will also be subject to the approval of the Special Savings Shareholders' Meeting of the Company as the savings shareholders of Milano Assicurazioni will be offered an exchange of Class "B" savings shares of Fondiaria-SAI, which will be subordinated to those of the Class "A" savings shares currently in circulation. In fact, the Class "B" savings shares of Fondiaria-SAI will benefit from the creation of value (also in terms of expected profits) contained in the UnipolSai Joint Industrial Plan.

Where, despite that outlined above, the Special Shareholders' Meeting of Milano Assicurazioni does not approve the Merger, the merger will in any case take place of Premafin and Unipol Assicurazioni into Fondiaria-SAI, with the Share Swap Ratios remaining unchanged.

Where, on the other hand, the above-mentioned Special Shareholders' Meeting of Milano Assicurazioni approves the Merger, the savings shareholders of Milano Assicurazioni which have not approved this resolution will have the right of redemption pursuant to Article 2437, paragraph 1, letter g), of the Civil Code.

The shareholders of Premafin will also have the right of redemption where they have not approved the resolutions on the Merger. In accordance with that already communicated to the market however, the former majority shareholders of Premafin will not have the right of redemption.

The above-mentioned redemption will be subject to the completion of the Merger. Further information in relation to the exercise of the redemption and the value of the shares settled will be communicated to the market as soon as it is available.

The By-laws of the Merging Entity, which will enter into force on the statutory date of the Merger, will contain amendments related to the operation.

In relation to the operation it is expected that the Shareholders' Meeting of Fondiaria-SAI called to approve the merger will also be required as per Article 2420-ter and 2443 of the Civil Code to approve the issue of a convertible bond in favour of the lenders of Premafin, in accordance with the restructuring plans of Premafin, already communicated to the market. In order to avoid the related dilution effects for the shareholders of UnipolSai, UGF and the companies participating in the Merger, negotiations will take place with these lenders in order to ensure that the conversion is offered as rights to the shareholders of the Post-Merger Entity.

The Merger is expected to be completed by the second-half of 2013, subject to authorisation from the insurance Supervisory Authority and the competent national and international regulatory Authorities and the maintaining of the exemptions and authorisations already obtained.

For accounting and tax purposes the operations undertaken by the Companies being Merged will be recorded in the financial statements of the Merging Entity as of January 1, 2013.

Approval of the 2013-2015 Industrial Plan of UnipolSai

The Board meeting of December 20, 2012 also approved the Joint Industrial Plan, on the basis of the updated industrial guidelines of the Integration Project already communicated to the market. The Joint Industrial Plan was prepared jointly by the Managers of all the companies involved in the Merger, updating also the targets previously communicated to the market ("Previous version").

The achievement of the complex integration process involved the creation of 26 separate projects teams, involving over 1,000 persons, which drew up a wide range of projects of varying degrees of complexity in order to achieve the objectives of the three-year plan.

Synergies and creation of value

The integration is expected to generate synergies of approx. Euro 350 million in 2015 (Euro 345 million in the previous version). The principal synergies will be in three areas:

- operating costs: the synergies amount to approx. Euro 180 million, 17% of the aggregated cost base, in line with the average result of a sample of ten Italian and international comparable operations;
- Non-Life technical sector: the synergies amount to approx. Euro 100 million in the claims management area and reinsurance;
- revenues: the synergies are estimated at approx. Euro 70 million and are based on the implementation of internal best practices from productivity and optimisation of financial management.

In order to achieve the synergies it will be necessary to incur integration costs relating to the three-year period 2013-2015 which are estimated at approx. Euro 300 million. These costs are largely attributable to the first year of the three-year Plan in order to implement the most costly interventions for achieving the synergies by 2015.

In the event Milano Assicurazioni does not participate in the Merger the difference in terms of synergies will not be significant.

Register of Insurance Groups pursuant to Article 85 of Legislative Decree No. 209 of September 7, 2005 and ISVAP Regulation No. 15 of February 20, 2008

On December 20, 2012, ISVAP updated the modifications to the “Unipol Insurance Group” consequent of the acquisition of control by Unipol Gruppo Finanziario S.p.A. of Premafin Finanziaria S.p.A. - Holding di Partecipazioni and, indirectly, of the companies controlled by this latter.
These changes resulted in a modification of the consolidation scope of the “Unipol Insurance Group”, recorded in the Register at entry No. 46, and the cancellation in the Register of the “Fondiaria-SAI Insurance Group”.

CONSOB rulings of 21 December 2012: assessment of non-compliance of financial statements and consolidated financial statements of Premafin, Fondiaria-SAI and Milano Assicurazioni as at 31/12/2011

During the financial year, CONSOB informed Premafin, Fondiaria-SAI and Milano Assicurazioni through separate communications that as a result of the investigations it carried out, there were indications that their respective statutory financial statements and consolidated financial statements as at 31/12/2011 had not been prepared in accordance with regulations governing their preparation. In particular, reference was made:

- as concerns Premafin, both to the information contained in the financial statements relating to the valuation of its holding in Fondiaria-SAI, as well as to the accounting method adopted in the consolidated financial statements in reserving for motor vehicle third party liability claims (Motor TPL);

- as concerns Fondiaria-SAI, both to the valuation in the financial statements of its holding in Milano Assicurazioni S.p.A., as well as to the accounting method adopted in the financial statements and in the consolidated financial statements, in reserving for motor vehicle third party liability claims (Motor TPL);
- as concerns Milano Assicurazioni, to the accounting method adopted in the financial statements and in the consolidated financial statements, in reserving for motor vehicle third party liability claims (Motor TPL).

The abovementioned companies replied separately and in a number of communications to Consob, laying down their considerations and the relevant facts and circumstances and outlining their disagreement with Consob's observations;

On December 21, 2012 Consob issued Resolutions No. 18430 – 18431 – 18432 (hereafter "Consob FS Resolution"), stating the non-compliance of the 2011 statutory and consolidated financial statements of Premafin, Fondiaria-SAI and Milano Assicurazioni with the applicable accounting standards and requested the Company to disclose, pursuant to Article 154-ter, seventh paragraph, of the CFA, the following information:

- the issues raised by Consob in relation to correct accounting in the above financial statements;
- the national provisions and the International Accounting Standards applied and the violations highlighted;
- the presentation of the pro-forma consolidated financial statements with comparative figures of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity for the years 2010 and 2011, which were reported in error.

In compliance with the provisions of CONSOB, Premafin, Fondiaria-SAI and Milano Assicurazioni separately provided the requested information to the public through press releases published on 27/12/2012; the press were available on the website of the Companies which are shown in full below.

Premafin financial statements and consolidated financial statements at 31 December 2011: supplemental information pursuant to Article 154-ter, paragraph 7 of Legislative Decree 58/98

Premafin HP S.p.A. (hereafter "Premafin" and/or the "Company"), upon the request of the Commissione Nazionale per le Società e la Borsa (the Italian commission for listed companies and the stock exchange) (hereafter "Consob" and/or "the Authority"), disclosed the following additional infomation.

Having regards to the following:

- Consob informed Fondiaria-SAI (hereafter "FonSAI"), in its communications dated 20 June 2012 and 15 October 2012 that, resulting from its investigations, there were indications that FonSAI's statutory financial statements and consolidated financial statements as at 31.12.2011 had not been prepared in accordance with regulations governing their preparation. Particular reference was made to the accounting method adopted in reserving for Motor TPL claims in these financial statements;

- Premafin's investment in FonSAI represents the major and most significant investment component of the Company and therefore the indications of possible deficiencies, raised by the Authority in FonSAI's financial statements would impact Premafin's financial statements due to the latter's dependency on the economic and profitability results of the subsidiary;
- Consob informed Premafin with communications dated 21 June and 15 October 2012, that resulting from its investigations, there were indications that FonSAI's statutory financial statements and consolidated financial statements as at 31.12.2011 had not been properly prepared;
- Premafin and FonSAI replied separately to Consob, laying down their considerations and the relevant facts and circumstances. Both entities outlined their disagreement with Consob's observations;
- On 21 December 2012, Consob confirmed, in its Resolution 18430 (hereafter "Consob FS Resolution"), its findings in relation to the non-compliance of the financial statements and consolidated financial statements of FonSAI as at 31 December 2011 to regulations governing their preparation;

in consideration of all of the above, one is to note that on 21 December 2012, Consob issued Resolution 18431 (hereafter "Consob PMF Resolution"), that was communicated on the same day to the Company. The resolution confirmed the non-compliance of Premafin's financial statements and consolidated financial statements at 31 December 2011 with the regulations governing their preparation and ordered the Company to disclose the following information in accordance with Article 154-ter, paragraph 7 of the CFA:

a) the deficiencies and critical issues identified by Consob relating to correct accounting in the afore-mentioned financial statements;
b) the provisions of applicable local regulations and international accounting standards and how these had been breached;
c) proforma consolidated financial statements, incuding comparative information, that show the impact that proper accounting, in accordance with regulations, would have had on the balance sheet, on the income statement and on net equity for the financial years 2010 and 2011, for which incorrect information had been provided.

* * *

With reference to the additional disclosure to be published by the Company in accordance with the above-mentioned Consob PMF Resolution, and in consideration of:

- the cited direct dependency of Premafin's economic and profitability results on those of subsidiary FonSAI;
- the full consolidation by Premafin, in its consolidated financial statements, of the investment that it holds, for the time being, in subsidiary FonSAI;
- the issues that had been confirmed by Consob in relation to subsidiary FonSAI in the Consob FS Resolution and which was attached with the Consob PMF Resolution for Premafin's information;

Premafin hereby discloses the following information.

Deficiencies and criticial issues identified by Consob relating to correct accounting in Premafin's statutory financial statements and consolidated financial statements at 31 December 2011

The deficiencies and critical issued identified by Consob related to:

- as concerns the 2011 consolidated financial statements, the adjustment made to 2009 and prior years' claims reserves in the TPL class of business that was recognised in the preparation of FonSAI's 2011 financial statements. According to Consob, the adjustment should have been accounted for as an error in accordance with international accounting standard IAS 8 by restating the 2010 financial statements;
- as concerns the 2011 statutory financial statements, adequate disclosure in the 2011 financial statements in relation to the considerations made by the directors on the possible effects that the errors identified, as per Consob, in calculating the claims reserves that had been recognised in the 2010 financial statements, (and the resulting impact on the business outlook), would have had on the valuation of the investment held in FonSAI.

THE NATIONAL PROVISIONS AND THE INTERNATIONAL ACCOUNTING STANDARDS APPLIED AND THE VIOLATIONS HIGHLIGHTED BY CONSOB

In relation to the national provisions and the International Accounting Standards applied, the violations highlighted by Consob concern:

- for the 2011 consolidated financial statements: IAS 8 "Accounting policies, changes in accounting estimates and errors" (paragraphs 42 and subsequent), "Insurance contracts", as well as IAS l "Presentation of financial statements" (paragraph 27), consider that the omissions and/or errors as highlighted by Consob are considered "material" in accordance with IAS 1, paragraph 7.
  IAS 8 establishes in fact that an error in a prior year – in this case, according to Consob, the underestimation of Motor TPL claims provisions in 2010 – must be corrected by retroactive establishment of values in the first authorised financial statements after discovery, re-determining the comparative amounts or, if the error relates to a year before that immediately preceding, the re-calculation of the opening asset, liabilities and net equity for the year immediately preceding.

  The non-application of IAS 8 resulted in the non-compliance of the 2011 Fondiaria-SAI consolidated financial statements with paragraph 27 of IAS l, which provides that an entity must prepare its financial statements according to the accruals principle. According to this principle, the effects of operations and other events are recorded to the financial statements of the relative periods in which they occur.

- for the 2011 statutory financial statements: compliance with the governing regulations and in particular the provisions of Articles 2423, paragraph 2 and subsequent and 2423 bis of the Civil Code.

According to Consob, the correct recognition, in the 2010 financial year, of part of the adjustment to the Motor TPL claims reserves, that had been recognised by FonSAI in 2011, which as highlighted by ISVAP amounted to at least Euro 517 million, would have certainly had a significant impact when valuing the invesment held by the Company in the underlying insurance group. As per Consob, it would have therfore affected FonSAI's share price as indicated in agreements entered into with certain investors, that contributed, inter alia, in establishing the abovementioned valuation.

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS AND COMPARATIVE FIGURES

Given the above and upon Consob's request, Premafin's pro-forma consolidated financial statements, that are attached to this press release, present in comparative terms the effect on the balance sheet, on the income statement and on net equity that accounting in accordance with Consob's observations would have had on 2010 and 2011 financial years.

This press release should be read together with Premafin's Consolidated financial statements at 31 December 2011, as well as with Premafin's statutory financial statements at 31 December 2011 which are available on the Company's website (www.premafin.it), in the section "Investor relations – Financial statements and reports- Latest financial statements approved".

The above-mentioned Consob PMF Resolution is also published on the internet site of the Authority (www.consob.it), as well as in the Consob's bulletin.

* * *

Premafin does not agree with Consob's opinion of non-compliance concerning the 2011 consolidated and statutory financial statements in the above resolution, based on the principal reasons previously outlined in part in the note communicated to Consob on July 2, 2012 and October 22, 2012:

1. given that pursuant to Article 2, paragraph 3, of Premafin's current Articles of Association, the Company "is precluded from undertaking any management and co-ordination activities, that are required by current applicable legislation in relation to group insurance companies and to companies controlled by the latter", the Company as consolidating parent of the group of which FonSAI forms part, will only proceed to transpose accurately the information it has received and to assess the completeness, the consistency and compliance with group accounting policies and its agreement thereof.

It is noted:

- as confirmed by the audit firm Reconta Ernst & Young S.p.A., that in its report dated 31 March 2012, stated that FonSAI's consolidated financial statements at 31 December 2011 complied with International Financial Reporting Standards as adopted by the European Union and with the regulation issued to implement Article 90 of Legislative Decree 209 of 2005, and that they had been properly prepared and gave a true and fair view of the financial position, the results and the cash flows of FonSAI Group for the year ended on that date;

- as well as on the basis of expert opinions rendered by professionals of high standing;

FonSAI considered the adjustment made to Motor TPL claims reserves in 2011 to be attributable to a change in accounting estimate and not to the correction of an error, as sustained by Consob. In view of the lack of any qualification by part of FonSAI to the effect that any part of the adjustment was to correct an underestimation of the claims reserves in the 2010 financial statements, Premafin was bound to adopt the mentioned FonSAI's assessments as its own;

2. Given that the periodic estimation, made by Premafin, of the value of its investment in FonSAI for the purpose of assessing whether the asset's carrying value is higher than its recoverable amount is, in its nature, not merely the application of criteria and formulae, but the result of a complex analytical and estimation process that is carried out by the Board of Directors, (with particular consideration also being made of the subisdiary's business outlook), and in which an element of subjectivity is involved; the possible attribution of a portion of FonSAI's results in a financial year to the preceding year does not entail, neither automically nor necassarily, an impact on such an estimate. Amongst others, taking the above into consideration:

- the potential attribution of a portion of FonSAI's losses for financial year 2011 to the preceding year is not relevant for the purposes of the impairment test model, as it is historic information that is absorbed in the subsidiary's net equity at 31 December 2011, and therefore does not make any difference to the principal valuation approach adopted for the purpose of the impairment test (Excess Capital type of Dividend Discount Model);
- the availability of concrete market price indications relating to financial years 2010/2011 can be considered to be indicative of the investment's fair value, with reference being made to agreements entered into with two leading investors (one industrial and the other financial), as well as to various investment offers made to Premafin in 2011/2012 by potential business partners.

Contrary to the assertions made in Consob's PMF resolution, all the above considerations provide no evidence that the recognition in financial year 2010, of part of the adjustment to the Motor TPL claims reseves recognised by the FonSAI group in 2011, "would have certainly had a significant impact when valuing the invesment held by the Company in the underlying insurance group and would have therefore affected the abovementioned price indications".

* * *

Mr. Giuseppe Nassi, as the Executive charged with the preparation of the financial statements of Premafin HP S.p.A., declares, in accordance with Article 154 bis, paragraph 2, of the Consolidated Finance Act (TUF) that the accounting information contained in this Press Release, other than the pro-forma figures, corresponds to the underlying accounting documents, records and accounting entries.

Appendices:

Proforma 2010 Premafin consolidated financial statements with comparative figures in relation to the effect that recognition in accordance with rules would have had on the balance sheet, on the income statement and on net equity at 31 December 2010.

Proforma 2011 Premafin consolidated financial statements with comparative figures in relation to the effect that recognition in accordance with rules would have had on the balance sheet, on the income statement and on net equity at 31 December 2011;

Appendix “A”

Pro-forma 2010 Premafin consolidated financial statements with comparative figures of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity at December 31, 2010.

Consolidated statement of financial position - Assets

(Values in Thousands of Euro)

		31/12/2010 published	Adjustments		31/12/2010 adjusted
1	**INTANGIBLE ASSETS**	**1.642.445**	**0**		**1.642.445**
1.1	Goodwill	1.523.280	0		1.523.280
1.2	Other intangible assets	119.165	0		119.165
2	**PROPERTY, PLANT AND EQUIPMENT**	**598.072**	**0**		**598.072**
2.1	Property	504.218	0		504.218
2.2	Other tangible assets	93.854	0		93.854
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**823.184**	**0**		**823.184**
4	**INVESTMENTS**	**36.031.914**	**0**		**36.031.914**
4.1	Investment property	2.912.189	0		2.912.189
4.2	Investments in subsidiaries, associates and *joint ventures*	353.014	0		353.014
4.3	Investments held to maturity	592.138	0		592.138
4.4	Loans and receivables	3.159.211	0		3.159.211
4.5	Available for sale financial assets	20.275.298	0		20.275.298
4.6	Financial assets at fair value through profit or loss	8.740.064	0		8.740.064
5	**OTHER RECEIVABLES**	**2.314.653**	**0**		**2.314.653**
5.1	Receivables arising out of direct insurance operations	1.747.611	0		1.747.611
5.2	Receivables arising out of reinsurance operations	101.773	0		101.773
5.3	Other receivables	465.269	0		465.269
6	**OTHER ASSETS**	**996.578**	**178.000**		**1.174.578**
6.1	Non current assets or disposal group held for sale	3.452	0		3.452
6.2	Deferred acquisition costs	87.603	0		87.603
6.3	Deferred tax assets	361.199	178.000	(2)	539.199
6.4	Current tax assets	388.015	0		388.015
6.5	Other assets	156.309	0		156.309
7	**CASH AND CASH EQUIVALENTS**	**628.404**	**0**		**628.404**
	TOTAL ASSETS	**43.035.250**	**178.000**		**43.213.250**

Consolidated statement of financial position - Equity and liabilities

(Values in Thousands of Euro)

		31/12/2010 published	Adjustments		31/12/2010 adjusted
1	**EQUITY**	**2.270.116**	**-339.000**		**1.931.116**
1.1	**attributable to the owners of the parent**	**350.230**	**-94.559**		**255.671**
1.1.1	Share capital	410.340	0		410.340
1.1.2	Other equity instruments	0	0		0
1.1.3	Capital reserves	21	0		21
1.1.4	Retained earnings and other reserves	263.360	-94.559	(3)	168.801
1.1.5	(Own shares)	-43.183	0		-43.183
1.1.6	Reserve for currency translation differences	-18.713	0		-18.713
1.1.7	Gains or losses on available-for-sale financial assets	338	0		338
1.1.8	Other gains or losses recognized directly in equity	9.608	0		9.608
1.1.9	Profit (loss) for the period/year attributable to the owners of the parent	-271.541	0		-271.541
1.2	**attributable to non-controlling interests**	**1.919.886**	**-244.441**		**1.675.445**
1.2.1	Share capital and reserves	2.627.767	-244.441	(3)	2.383.326
1.2.2	Other gains or losses recognized directly in equity	-31.256	0		-31.256
1.2.3	Profit (loss) for the period/year attributable to non-controlling interests	-676.625	0		-676.625
2	**PROVISIONS**	**359.982**	**0**		**359.982**
3	**TECHNICAL PROVISIONS**	**34.827.972**	**517.000**	(1)	**35.344.972**
4	**FINANCIAL LIABILITIES**	**4.187.367**	**0**		**4.187.367**
4.1	Financial liabilities at fair value through profit or loss	1.677.807	0		1.677.807
4.2	Other financial liabilities	2.509.560	0		2.509.560
5	**PAYABLES**	**839.437**	**0**		**839.437**
5.1	Payables arising out of direct insurance operations	91.887	0		91.887
5.2	Payables arising out of reinsurance operations	106.862	0		106.862
5.3	Other payables	640.688	0		640.688
6	**OTHER LIABILITIES**	**550.376**	**0**		**550.376**
6.1	Liabilities of a disposal group held for sale	0	0		0
6.2	Deferred tax liabilities	132.060	0		132.060
6.3	Current tax liabilities	54.931	0		54.931
6.4	Other liabilities	363.385	0		363.385
	TOTAL EQUITY AND LIABILITIES	**43.035.250**	**178.000**		**43.213.250**

Note:

(1)) Recognition of the revaluation of the Motor TPL claims provisions of the 2009 and prior generations;

(2) Recognition of the related deferred fiscal effect on the adjustment at note (1);

(3) Recognition of the net balance of adjustments 1) and 2) above the distribution Group/non-controlling interests

SEPARATED INCOME STATEMENT

(Values in Thousands of Euro)

		31/12/2010 published	Adjustments	31/12/2010 adjusted
1.1	Net premiums	12,585,297	0	12,585,297
1.1.1	*Gross premiums*	*12,911,503*	*0*	*12,911,503*
1.1.2	*Reinsurance premiums*	*-326,206*	*0*	*-326,206*
1.2	Fee and commission income	57,317	0	57,317
1.3	Gains and losses on financial instuments at fair value through profit or loss	378,291	0	378,291
1.4	Income from investments in subsidiaries, associates and joint ventures	55,795	0	55,795
1.5	Income from other financial instruments and investment property	1,283,378	0	1,283,378
1.5.1	*Interest income*	*722,362*	*0*	*722,362*
1.5.2	*Other income*	*169,736*	*0*	*169,736*
1.5.3	*Realized gains*	*390,804*	*0*	*390,804*
1.5.4	*Unrealized gains*	*476*	*0*	*476*
1.6	Other income	551,762	0	551,762
1	**TOTAL REVENUES**	**14,911,840**	**0**	**14,911,840**
2.1	Net insurance claims	-12,152,941	0	-12,152,941
2.1.2	*Amounts paid and change in technical provisions*	*-12,341,912*	*0*	*-12,341,912*
2.1.3	*Reinsurers' share*	*188,971*	*0*	*188,971*
2.2	Fee and commission expense	-28,421	0	-28,421
2.3	Losses on investments in subsidiaries, associates and joint ventures	-21,558	0	-21,558
2.4	Charges from other financial instruments and property	-826,033	0	-826,033
2.4.1	*Interest expenses*	*-88,072*	*0*	*-88,072*
2.4.2	*Other expenses*	*-77,999*	*0*	*-77,999*
2.4.3	*Realized losses*	*-166,095*	*0*	*-166,095*
2.4.4	*Changes in fair values*	*-493,867*	*0*	*-493,867*
2.5	Management expenses	-1,928,904	0	-1,928,904
2.5.1	*Commissions and other acquisition costs*	*-1,426,987*	*0*	*-1,426,987*
2.5.2	*Investment management expenses*	*-14,645*	*0*	*-14,645*
2.5.3	*Other administration expenses*	*-487,272*	*0*	*-487,272*
2.6	Other costs	-981,028	0	-981,028
2	**TOTAL COSTS AND EXPENSES**	**-15,938,885**	**0**	**-15,938,885**
	NET PROFIT (LOSS) BEFORE TAX	**-1,027,045**	**0**	**-1,027,045**
3	Tax	**77,117**	**0**	**77,117**
	NET PROFIT (LOSS)	**-949,928**	**0**	**-949,928**
4	**NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**1,762**	**0**	**1,762**
	CONSOLIDATED PROFIT (LOSS)	**-948,166**	**0**	**-948,166**
	attributable to the owners of the Parent	-271,541	0	-271,541
	attributable to non-controlling interests	-676,625	0	-676,625

STATEMENT OF COMPREHENSIVE INCOME

(Values in Thousands of Euro)

	31/12/2010 published	Adjustments	31/12/2010 adjusted
CONSOLIDATED PROFIT (LOSS)	**-948,166**	**0**	**-948,166**
Foreign currency translation differences	-17,438	0	-17,438
Net unrealized gains or losses on available-for-sale financial assets	25,019	0	25,019
Net unrealized gains or losses on cash flow hedging derivatives	-16,524	0	-16,524
Net unrealized gains or losses on hedge of a net investment in foreign operations	0	0	0
Share of other comprehensive income of associates	646	0	646
Reserve for revaluation model on intangible assets	0	0	0
Reserve for revaluation model on tangible assets	-8,764	0	-8,764
Result of discontinued operations	675	0	675
Actuarial gains or losses arising from defined benefit plans	-2,522	0	-2,522
Other	826	0	826
OTHER COMPREHENSIVE INCOME	**-18,082**	**0**	**-18,082**
TOTAL COMPREHENSIVE INCOME	**-966,248**	**0**	**-966,248**
attributable to the owners of the Parent	**-287,885**	**0**	**-287,885**
attributable to non-controlling interests	**-678,363**	**0**	**-678,363**

Note:
(1)) Recognition of the revaluation of the Motor TPL claims provisions of the 2009 and prior generations;
(2) Recognition of the related deferred fiscal effect on the adjustment at note (1);
(3) Recognition of the net balance of adjustments 1) and 2) above the distribution Group/non-controlling interests

Attachment "B"

Pro-forma 2011 Premafin consolidated financial statements with comparative figures of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity at December 31, 2011.

Consolidated statement of financial position - Assets

(Values in Thousands of Euro)

		31/12/2011 published	Adjustments		31/12/2011 adjusted
1	**INTANGIBLE ASSETS**	**1,517,604**	**0**		**1,517,604**
1.1	Goodwill	1,422,447	0		1,422,447
1.2	Other intangible assets	95,157	0		95,157
2	**PROPERTY, PLANT AND EQUIPMENT**	**405,349**	**0**		**405,349**
2.1	Property	318,928	0		318,928
2.2	Other tangible assets	86,421	0		86,421
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**701,880**	**0**		**701,880**
4	**INVESTMENTS**	**33,817,046**	**0**		**33,817,046**
4.1	Investment property	2,776,452	0		2,776,452
4.2	Investments in subsidiaries, associates and *joint ventures*	116,795	0		116,795
4.3	Investments held to maturity	599,713	0		599,713
4.4	Loans and receivables	3,688,865	0		3,688,865
4.5	Available for sale financial assets	17,608,557	0		17,608,557
4.6	Financial assets at fair value through profit or loss	9,026,664	0		9,026,664
5	**OTHER RECEIVABLES**	**2,349,186**	**0**		**2,349,186**
5.1	Receivables arising out of direct insurance business	1,698,430	0		1,698,430
5.2	Receivables arising out of reinsurance business	78,637	0		78,637
5.3	Other receivables	572,119	0		572,119
6	**OTHER ASSETS**	**1,803,838**	**0**		**1,803,838**
6.1	Non current assets or disposal group held for sale	87,151	0		87,151
6.2	Deferred acquisition costs	30,301	0		30,301
6.3	Deferred tax assets	1,155,062	0		1,155,062
6.4	Current tax assets	316,587	0		316,587
6.5	Other assets	214,737	0		214,737
7	**CASH AND CASH EQUIVALENTS**	**1,004,105**	**0**		**1,004,105**
	TOTAL ASSETS	**41,599,008**	**0**		**41,599,008**

Consolidated statement of financial position - Equity and liabilities

(Values in Thousands of Euro)

		31/12/2011 published	Adjustments		31/12/2011 adjusted
1	**EQUITY**	**1,274,415**	**0**		**1,274,415**
1.1	**attributable to the owners of the parent**	**-32,065**	**0**		**-32,065**
1.1.1	Share capital	410,340	0		410,340
1.1.2	Other equity instruments	0	0		0
1.1.3	Capital reserves	21	0		21
1.1.4	Retained earnings and other reserves	664	-75,491	(3)	-74,827
1.1.5	(Own shares)	-43,183	0		-43,183
1.1.6	Reserve for currency translation differences	-14,985	0		-14,985
1.1.7	Gains or losses on available-for-sale financial assets	-127,658	0		-127,658
1.1.8	Other gains or losses recognized directly in equity	6,332	0		6,332
1.1.9	Profit (loss) for the period/year attributable to the owners of the parent	-263,596	75,491	(3)	-188,105
1.2	**attributable to non-controlling interests**	**1,306,480**	**0**		**1,306,480**
1.2.1	Share capital and reserves	2,680,192	-263,509	(3)	2,416,683
1.2.2	Other gains or losses recognized directly in equity	-600,208	0		-600,208
1.2.3	Profit (loss) for the period/year attributable to non-controlling interests	-773,504	263,509	(3)	-509,995
2	**PROVISIONS**	**337,122**	**0**		**337,122**
3	**TECHNICAL PROVISIONS**	**35,107,505**	**0**		**35,107,505**
4	**FINANCIAL LIABILITIES**	**3,527,671**	**0**		**3,527,671**
4.1	Financial liabilities at fair value through profit or loss	1,349,506	0		1,349,506
4.2	Other financial liabilities	2,178,165	0		2,178,165
5	**PAYABLES**	**795,951**	**0**		**795,951**
5.1	Payables arising out of direct insurance business	78,999	0		78,999
5.2	Payables arising out of reinsurance business	84,912	0		84,912
5.3	Other payables	632,040	0		632,040
6	**OTHER LIABILITIES**	**556,344**	**0**		**556,344**
6.1	Liabilities of a disposal group held for sale	0	0		0
6.2	Deferred tax liabilities	133,452	0		133,452
6.3	Current tax liabilities	18,147	0		18,147
6.4	Other liabilities	404,745	0		404,745
	TOTAL EQUITY AND LIABILITIES	**41,599,008**	**0**		**41,599,008**

Note:

(1)) Recognition of the revaluation of the Motor TPL claims provisions of the 2009 and prior generations;

(2) Recognition of the related deferred fiscal effect on the adjustment at note (1);

(3) Recognition of the net balance of adjustments 1) and 2)above the distribution Group/non-controlling interests

SEPARATED INCOME STATEMENT

(Values in Thousands of Euro)

		31/12/2011 published	Adjustments		31/12/2011 adjusted
1.1	Net premiums	10,527,344	0		10,527,344
1.1.1	*Gross premiums*	*10,850,258*	*0*		*10,850,258*
1.1.2	*Reinsurance premiums*	*-322,914*	*0*		*-322,914*
1.2	Fee and commission income	24,433	0		24,433
1.3	Gains and losses on financial instuments at fair value through profit or loss	304,043	0		304,043
1.4	Income from investments in subsidiaries, associates and joint ventures	1,872	0		1,872
1.5	Income from other financial instruments and investment property	1,192,109	0		1,192,109
1.5.1	*Interest income*	*828,565*	*0*		*828,565*
1.5.2	*Other income*	*150,680*	*0*		*150,680*
1.5.3	*Realized gains*	*212,559*	*0*		*212,559*
1.5.4	*Unrealized gains*	*305*	*0*		*305*
1.6	Other income	666,721	0		666,721
1	**TOTAL REVENUES**	**12,716,522**	**0**		**12,716,522**
2.1	Net insurance claims	-10,240,770	517,000		-9,723,770
2.1.2	*Amounts paid and change in technical provisions*	*-10,406,857*	*517,000*	(1)	*-9,889,857*
2.1.3	*Reinsurers' share*	*166,087*	*0*		*166,087*
2.2	Fee and commission expense	-15,855	0		-15,855
2.3	Losses on investments in subsidiaries, associates and joint ventures	-7,114	0		-7,114
2.4	Charges from other financial instruments and property	-977,508	0		-977,508
2.4.1	*Interest expenses*	*-90,584*	*0*		*-90,584*
2.4.2	*Other expenses*	*-69,277*	*0*		*-69,277*
2.4.3	*Realized losses*	*-142,293*	*0*		*-142,293*
2.4.4	*Changes in fair values*	*-675,354*	*0*		*-675,354*
2.5	Management expenses	-1,887,042	0		-1,887,042
2.5.1	*Commissions and other acquisition costs*	*-1,406,623*	*0*		*-1,406,623*
2.5.2	*Investment management expenses*	*-16,437*	*0*		*-16,437*
2.5.3	*Other administration expenses*	*-463,982*	*0*		*-463,982*
2.6	Other costs	-1,047,250	0		-1,047,250
2	**TOTAL COSTS AND EXPENSES**	**-14,175,539**	**517,000**		**-13,658,539**
	NET PROFIT (LOSS) BEFORE TAX	**-1,459,017**	**517,000**		**-942,017**
3	Tax	**391,067**	**-178,000**	(2)	**213,067**
	NET PROFIT (LOSS)	**-1,067,950**	**339,000**		**-728,950**
4	**NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**30,850**	**0**		**30,850**
	CONSOLIDATED PROFIT (LOSS)	**-1,037,100**	**339,000**		**-698,100**
	attributable to the owners of the Parent	-263,596	75,491	(3)	-188,105
	attributable to non-controlling interests	-773,504	263,509	(3)	-509,995

STATEMENT OF COMPREHENSIVE INCOME

(Values in Thousands of Euro)

	31/12/2011 published	Adjustments	31/12/2011 adjusted
CONSOLIDATED PROFIT (LOSS)	**-1,037,100**	**339,000**	**-698,100**
Foreign currency translation differences	-33,859	0	-33,859
Net unrealized gains or losses on available-for-sale financial assets	-638,678	0	-638,678
Net unrealized gains or losses on cash flow hedging derivatives	-12,153	0	-12,153
Net unrealized gains or losses on hedge of a net investment in foreign operations	0	0	0
Share of other comprehensive income of associates	4,168	0	4,168
Reserve for revaluation model on intangible assets	0	0	0
Reserve for revaluation model on tangible assets	-544	0	-544
Result of discontinued operations	0	0	0
Actuarial gains or losses arising from defined benefit plans	-7,344	0	-7,344
Other	-8,085	0	-8,085
OTHER COMPREHENSIVE INCOME	**-696,495**	**0**	**-696,495**
TOTAL COMPREHENSIVE INCOME	**-1,733,595**	**339,000**	**-1,394,595**
attributable to the owners of the Parent	**-391,140**	**75,491**	**-315,649**
attributable to non-controlling interests	**-1,342,455**	**263,509**	**-1,078,946**

Note:

(1)) Recognition of the revaluation of the Motor TPL claims provisions of the 2009 and prior generations;

(2) Recognition of the related deferred fiscal effect on the adjustment at note (1);

(3) Recognition of the net balance of adjustments 1) and 2) above the distribution Group/non-controlling interests

Separate and consolidated financial statements of Fondiaria-SAI for the year end December 31, 2011: Additional disclosure pursuant to Article 154-ter, paragraph 7, of Legs. Decree No. 58/98

On December 27, 2012, Fondiaria-SAI S.p.A. (hereafter "Fondiaria-SAI" or the "Company"), on the request of the Stock Market National Commission (hereafter "Consob" and/or "the Authority"), issued the following communication.

It is stated that:

- Consob notified Fondiaria-SAI S.p.A. – with communications respectively on June 20, 2012 and October 15, 2012 – that its review of the 2011 statutory and consolidated financial statements of the Company indicated that such financial statements may not have been prepared in accordance with the applicable accounting standards, with particular reference to the accounting of the civil responsibility of the motor claims provisions (hereafter "Motor TPL") and the valuation of the investment held in Milano Assicurazioni S.p.A. (hereafter "Milano Assicurazioni") in the accounting documents;
- Consob also notified Milano Assicurazioni, a subsidiary of Fondiaria-SAI – with communication of October 5, 2012 – that also based on its review, the 2011 statutory and consolidated financial statements of Milano Assicurazioni may not have been prepared in accordance with the applicable accounting standards, with particular reference to the accounting of the civil responsibility of the motor claims provisions in these accounting documents;
- the investment held by Fondiaria-SAI in Milano Assicurazioni comprises a significant investment for the Company and therefore the importance of the financial statements of Milano Assicurazioni noted by the Authority are reflected in the financial statements of the Company due to the contribution to the results of the subsidiary;
- Fondiaria-SAI and Milano Assicurazioni communicated to Consob their considerations in relation to the above facts and circumstances through separate communications and not to be in agreement with the issues raised by Consob;
- on December 21, 2012 Consob issued Resolution No. 18432 (hereafter "Milano Consob Resolution") stating the non-compliance of the 2011 statutory and consolidated financial statements of Milano Assicurazioni with the applicable accounting standards;

On December 21, 2012 Consob issued Resolution No. 18430 (hereafter "Consob FS Resolution"), communicated on the same date to the Company, stating the non-compliance of the 2011 statutory and consolidated financial statements of Fondiaria-SAI with the applicable accounting standards and requested the Company to disclose, pursuant to Article 154-ter, seventh paragraph, of the CFA, the following information:

a) the issues raised by Consob in relation to correct accounting in the above financial statements;
b) the national provisions and the International Accounting Standards applied and the violations highlighted;
c) the presentation of the pro-forma consolidated financial statements with comparative figures of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity for the years 2010 and 2011, which were reported in error.

In relation to the information to be published by the Company in accordance with that above-mentioned Consob FS Resolution, in consideration:

- of the significant revaluation of the prior year Motor TPL claims provisions recognised in the 2011 consolidated income statement totaling Euro 810 million (Euro 476 million in the 2011 statutory financial statements), which significantly impacted the 2011 loss;

- of the insufficient 2010 Motor TPL claims provisions highlighted by Isvap communicated on September 29, 2011 as a minimum of Euro 517 million (of which Euro 203 million attributable to the subsidiary Milano Assicurazioni) relating to 2009 and prior years;

- of the direct contribution to the results of Fondiaria-SAI of those of the subsidiary Milano Assicurazioni;

- of the full consolidation by Fondiaria-SAI, in its consolidated financial statements, of the investment held in the subsidiary Milano Assicurazioni;

- of the issues raised by Consob for the subsidiary Milano Assicurazioni in the Consob Milano Resolution, also sent to the Company as an attachment to the Resolution Consob FS;

Fondiaria-SAI issues the following replies.

ISSUES RAISED BY CONSOB IN RELATION TO CORRECT ACCOUNTING IN THE 2011 FONDIARIA-SAI STATUTORY AND CONSOLIDATED FINANCIAL STATEMENTS

The issues raised by Consob concern:

- for the 2011 consolidated financial statements: the fact that the revaluation of the Motor TPL claims provision for 2009 and prior years – recognised by Fondiaria-SAI in the 2011 financial statements – should have been reported, according to Consob, as an error and recognised in accordance with IAS 8 with the restatement of the 2010 financial statements;
- for the 2011 statutory financial statements: the need for sufficient additional disclosure in the 2011 financial statements in relation to the fact that the result for the year, for the part concerning the insufficient TPL Motor claims provisions of the 2009 and prior year generations highlighted by Isvap (Euro 314 million) should have been reported in the previous year, as well as sufficient disclosure on the considerations of the directors on the potential effects which the errors raised, in the opinion of Consob, in the calculation of the claims provisions recognised in the 2011 financial statements of Milano Assicurazioni (and consequent impact on the company's outlook) on the valuation of the investment.

THE NATIONAL PROVISIONS AND THE INTERNATIONAL ACCOUNTING STANDARDS APPLIED AND THE VIOLATIONS HIGHLIGHTED BY CONSOB

In relation to the national provisions and the International Accounting Standards applied, the violations highlighted by Consob concern:

- for the 2011 consolidated financial statements: IAS 8 "Accounting policies, changes in accounting estimates and errors" (paragraphs 42 and subsequent), IFRS 4 "Insurance contracts", as well as IAS l "Presentation of financial statements" (paragraph 27), consider that the omissions and/or errors as highlighted by Consob are considered "material" in accordance with IAS 1, paragraph 7.
  IAS 8 establishes in fact that an error in a prior year – in this case, according to Consob, the underestimation of Motor TPL claims provisions in 2010 – must be

corrected by retroactive establishment of values in the first authorised financial statements after discovery, re-determining the comparative amounts or, if the error relates to a year before that immediately preceding, the re-calculation of the opening asset, liabilities and net equity for the year immediately preceding.
The non-application of IAS 8 resulted in the non-compliance of the 2011 Fondiaria-SAI consolidated financial statements with paragraph 27 of IAS l, which provides that an entity must prepare its financial statements according to the accruals principle. According to this principle, the effects of operations and other events are recorded to the financial statements of the relative periods in which they occur.

- for the 2011 statutory financial statements: compliance with the governing regulations and in particular the provisions of Articles 2423, paragraph 2 and subsequent and 2423 bis of the Civil Code.
  If, as indicated by Consob, part of the change in the value of the Motor TPL claims provision made by the subsidiary Milano Assicurazioni in 2011 was recognised to the 2010 financial statements (highlighted by ISVAP as amounting to at least Euro 203 million), this certainly - according to Consob - would assume significance in the valuation of the investment held by the Company in the subsidiary and therefore would affect - again in the view of Consob - the above-stated valuation.

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS AND COMPARATIVE FIGURES

In relation to that above, on the request of Consob, in the pro-forma consolidated financial statements of Fondiaria-SAI attached to the present press release, the effects in comparative terms of recognition as per that outlined by Consob would have on the balance sheet, income statement and net equity of the company for the financial years of 2010 and 2011 is illustrated.

The present press release must be read jointly with the 2011 consolidated financial statements of Fondiaria-SAI , in addition to the 2011 statutory financial statements of Fondiaria-SAI, available on the internet site of the Company (www.fondiaria-sai.it) in the “investor relations – Financial Statements and Reports – 2011” section.

Finally, the above-mentioned Consob FS Resolution will be published on the internet site of the Commission (www.consob.it), as well as in the Consob bulletin

The Company does not agree with Consob’s opinion of non-compliance concerning the 2011 consolidated and statutory financial statements in the above resolution, based on the principal reasons previously outlined in part in the notes communicated to Consob on July 2, 2012 and October 22, 2012:

1. It is noted:

- as established by the report issued on March 31, 2012, the company Reconta Ernst & Young S.p.A. declared that the 2011 consolidated financial statements of Fondiaria-SAI complied with IFRS as adopted by the European Union and the requirements pursuant to Article 90 of Legislative Decree No. 209/2005. They were prepared with clarity and represent in a true and fair manner the equity and financial situation, the result and the cash flows of the Fondiaria-SAI Group at that date;
- according to the Board of Statutory Auditors’ Report issued on October 26, 2012, following the petition of a shareholder in accordance with Article 2408 of the Civil Code and published for the last Shareholders’ Meeting of October 30, 2012, the Board declared that, following verifications, it could not be concluded with

certainty that the Company on the preparation of the 2010 financial statements could avail of information which would lead to a differing valuation and disclosure concerning the revaluation of the Motor TPL claims provision to that contained in the 2010 financial statements themselves;

- as well as on the provision of authoritative opinions by leading professionals;

Fondiaria-SAI considers, as does the subsidiary Milano Assicurazioni, that the change in the value of the Motor TPL claims provision recorded in 2011 concerning the 2009 and prior generations, is based on a change in the estimation and not on the correction of an error, as proposed by Consob. In this regard, reference should be made to the 2011 consolidated financial statements (pages 391 – 392), available on the internet site of the Company (www.fondiaria-sai.it) in the "investor relations – Financial Statements and Reports – 2011" section;

2) given that the periodic estimation made by Fondiaria-SAI of the investment in Milano Assicurazioni to establish if the asset is recognised to the financial statements at a value greater than its recoverable value, by its nature, does not merely involve the application of formulae, but is the result of a complex process of analysis and estimation on the part of the Board of Directors (particularly based on the outlook of the subsidiary), as subjective factors are also considered, any allocation of the share of the Milano Assicurazioni result in the previous year does not automatically have an effect on this estimate.

This is in consideration of the non-recognition, for the purposes of the impairment tests adopted, of the above-stated attribution of a share of the 2011 loss of Milano Assicurazioni, as relating to historic information, absorbed in the net equity of the subsidiary at December 31, 2011, and therefore not differing from the approach adopted for the impairment test (the Dividend Discount Model and the Excess Capital version).

In addition we consider that – in light of the certain position of Fondiaria-SAI (and of the subsidiary Milano Assicurazioni) that on the approval of the 2011 financial statements that the change in the Motor TPL claims provision in 2011 was due to a change in the estimation process and not due to the correction of an error (and consequently in the absence of consideration of this change as a correction of an irregularity in the estimated provision for the 2010 financial statements) Fondiaria-SAI, on the approval of the 2011 financial statements, could not avail of any information on which to provide "additional supplementary disclosure" to the 2011 statutory financial statements.

Massimo Dalfelli, as the Executive Responsible for the preparation of the corporate accounting documents of Fondiaria-SAI, declares in accordance with Article 154 bis, paragraph 2, of the Consolidated Finance Act, that the accounting information contained in the present Press Release, other than the pro-forma figures, corresponds to the underlying accounting documents, records and accounting entries.

Attachments:

Pro-forma 2010 Fondiaria-SAI consolidated financial statements with comparative figures of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity at December 31, 2010

Pro-forma 2011 Fondiaria-SAI consolidated financial statements with comparative figures of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity at December 31, 2011;

Attachment "A"

PRO-FORMA 2010 FONDIARIA-SAI CONSOLIDATED FINANCIAL STATEMENTS WITH COMPARATIVE FIGURES OF THE EFFECTS THAT RECOGNITION ACCORDING TO THE RULES WOULD HAVE ON THE BALANCE SHEET, INCOME STATEMENT AND NET EQUITY AT DECEMBER 31, 2010.

BALANCE SHEET – ASSETS

(in Euro thousands)

		31/12/2010 published	Adjustments	31/12/2010 proforma	NOTE
1	**INTANGIBLE ASSETS**	**1,587,734**	**0**	**1,587,734**	
1.1	Goodwill	1,468,570	0	1,468,570	
1.2	Other intangible assets	119,164	0	119,164	
2	**PROPERTY, PLANT & EQUIPMENT**	**594,334**	**0**	**594,334**	
2.1	Property	500,691	0	500,691	
2.2	Other tangible assets	93,643	0	93,643	
3	**REINSURANCE ASSETS**	**823,184**	**0**	**823,184**	
4	**INVESTMENTS**	**36,013,873**	**0**	**36,013,873**	
4.1	Investment property	2,894,209	0	2,894,209	
4.2	Investments in subsidiaries, associates and joint ventures	325,369	0	325,369	
4.3	Investments held to maturity	592,138	0	592,138	
4.4	Loans and receivables	3,159,211	0	3,159,211	
4.5	AFS financial assets	20,302,882	0	20,302,882	
4.6	Financial assets at fair value through the profit or loss account	8,740,064	0	8,740,064	
5	**OTHER RECEIVABLES**	**2,314,375**	**0**	**2,314,375**	
5.1	Receivables from direct insurance operations	1,747,611	0	1,747,611	
5.2	Receivables from reinsurance operations	101,773	0	101,773	
5.3	Other receivables	464,991	0	464,991	
6	**OTHER ASSETS**	**996,064**	**178,000**	**1,174,064**	
6.1	Non-current assets or disposal groups classified as held for sale	3,452	0	3,452	
6.2	Deferred acquisition costs	87,603	0	87,603	
6.3	Deferred tax assets	361,195	178,000	539,195	2)
6.4	Current tax assets	387,573	0	387,573	
6.5	Other assets	156,241	0	156,241	
7	**CASH AND CASH EQUIVALENTS**	**625,940**	**0**	**625,940**	
	TOTAL ASSETS	**42,955,504**	**178,000**	**43,133,504**	

BALANCE SHEET – SHAREHOLDERS' EQUITY& LIABILITIES

(in Euro thousands)

		31/12/2010 published	Proforma adjustments	31/12/2010 proforma	NOTE
1	**SHAREHOLDERS' EQUITY**	**2,550,105**	**-339,000**	**2,211,105**	3)
1.1	**Group**	**1,882,127**	**-286,000**	**1,596,127**	
1.1.1	Share capital	167,044	0	167,044	
1.1.2	Other equity instruments	0	0	0	
1.1.3	Capital reserves	209,947	0	209,947	
1.1.4	Retained earnings and other reserves	2,620,792	-286,000	2,334,792	
1.1.5	(Treasury shares)	-321,933	0	-321,933	
1.1.6	Translation reserves	-56,598	0	-56,598	
1.1.7	Profit or loss on AFS financial assets	-34,759	0	-34,759	
1.1.8	Other gains and losses recorded directly in equity	15,216	0	15,216	
1.1.9	Group net loss	-717,582	0	-717,582	
1.2	**minority interest**	**667,978**	**-53,000**	**614,978**	
1.2.1	Minority interest capital and reserves	902,126	-53,000	849,126	
1.2.2	Gains and losses recorded directly in equity	-22,869	0	-22,869	
1.2.3	Profit (loss) for the year pertaining to minority interests	-211,279	0	-211,279	
2	**PROVISIONS**	**340,637**	**0**	**340,637**	
3	**INSURANCE CONTRACT LIABILITIES**	**34,827,972**	**517,000**	**35,344,972**	1)
4	**FINANCIAL LIABILITIES**	**3,850,106**	**0**	**3,850,106**	
4.1	Financial liabilities at fair value through profit or loss	1,646,935	0	1,646,935	
4.2	Other financial liabilities	2,203,171	0	2,203,171	
5	**PAYABLES**	**836,934**	**0**	**836,934**	
5.1	Payables to direct insurance operations	91,887	0	91,887	
5.2	Payables to reinsurance operations	106,862	0	106,862	
5.3	Other payables	638,185	0	638,185	
6	**OTHER LIABILITIES**	**549,750**	**0**	**549,750**	
6.1	Liabilities of a discontinued group held for sale	0	0	0	
6.2	Deferred tax liabilities	132,060	0	132,060	
6.3	Current tax liabilities	54,306	0	54,306	
6.4	Other liabilities	363,384	0	363,384	
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**42,955,504**	**178,000**	**43,133,504**	

INCOME STATEMENT

(in Euro thousands)

		2010 published	Proforma adjustments	2010 proforma
1.1	Net premiums	12,585,297	0	12,585,297
1.1.1	*Gross premiums written*	*12,911,503*	*0*	*12,911,503*
1.1.2	*Premiums ceded to re-insurers*	*-326,206*	*0*	*-326,206*
1.2	Commission income	57,317	0	57,317
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	395,283	0	395,283
1.4	Income from investments in subsidiaries, associates and joint ventures	55,795	0	55,795
1.5	Income from other financial instruments and property investments	1,281,397	0	1,281,397
1.5.1	*Interest income*	*722,345*	*0*	*722,345*
1.5.2	*Other income*	*167,637*	*0*	*167,637*
1.5.3	*Profits realised*	*390,939*	*0*	*390,939*
1.5.4	*Valuation gains*	*476*	*0*	*476*
1.6	Other revenues	556,503	0	556,503
1	**TOTAL REVENUES AND INCOME**	**14,931,592**	**0**	**14,931,592**
2.1	Net charges relating to claims	-12,152,941	0	-12,152,941
2.1.2	*Amounts paid and changes in insurance contract liabilities*	*-12,341,912*	*0*	*-12,341,912*
2.1.3	*Reinsurers' share*	*188,971*	*0*	*188,971*
2.2	Commission expenses	-28,421	0	-28,421
2.3	Charges from investments in subsidiaries, associates and joint ventures	-55,279	0	-55,279
2.4	Charges from other financial instruments and property investments	-815,311	0	-815,311
2.4.1	*Interest expense*	*-80,414*	*0*	*-80,414*
2.4.2	*Other charges*	*-78,146*	*0*	*-78,146*
2.4.3	*Losses realised*	*-166,095*	*0*	*-166,095*
2.4.4	*Valuation losses*	*-490,656*	*0*	*-490,656*
2.5	Management expenses	-1,920,182	0	-1,920,182
2.5.1	*Commissions and other acquisition expenses*	*-1,426,987*	*0*	*-1,426,987*
2.5.2	*Investment management charges*	*-14,377*	*0*	*-14,377*
2.5.3	*Other administration expenses*	*-478,818*	*0*	*-478,818*
2.6	Other expenses	-967,183	0	-967,183
2	**TOTAL COSTS AND CHARGES**	**-15,939,317**	**0**	**-15,939,317**
	LOSS BEFORE TAXES	**-1,007,725**	**0**	**-1,007,725**
3	Income tax	**77,102**	**0**	**77,102**
	NET LOSS FROM CONTINUING OPERATIONS	**-930,623**	**0**	**-930,623**
4	**PROFIT FROM DISCONTINUED OPERATIONS**	**1,762**	**0**	**1,762**
	CONSOLIDATED LOSS	**-928,861**	**0**	**-928,861**
	group share	-717,582	0	-717,582
	minority share	-211,279	0	-211,279

OPERATING LOSS PER SHARE (in Euro)	-6.54	0	-6.54
DILUTED OPERATING LOSS PER SHARE (in Euro)	-6.54	0	-6.54
LOSS PER SHARE (in Euro)	-6.54	0	-6.54
DILUTED LOSS PER SHARE (in Euro)	-6.54	0	-6.54

COMPREHENSIVE INCOME STATEMENT

	2010 published	Proforma adjustments	2010 proforma
CONSOLIDATED LOSS	**-928,861**	**0**	**-928,861**
Change in reserve for net exchange differences	-52,741	0	-52,741
Profit or loss on AFS financial assets	24,037	0	24,037
Profit or loss on cash flow hedges	-16,524	0	-16,524
Profit or loss on a net foreign investment hedge	0	0	0
Change in net equity of holdings	-1,208	0	-1,208
Change in revaluation reserve of intangible assets	0	0	0
Change in revaluation reserve of tangible fixed assets	-8,763	0	-8,763
Income/(charges) on non-current assets or of a discontinued group held for sale	675	0	675
Actuarial profits and losses and adjustments to employee defined plans	-2,511	0	-2,511
Others items	-7,172	0	-7,172
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**-64,207**	**0**	**-64,207**
TOTAL COMPREHENSIVE CONSOLIDATED INCOME	**-993,068**	**0**	**-993,068**
group share	**-786,971**	**0**	**-786,971**
minority share	**-206,097**	**0**	**-206,097**

NOTES:

1) Recognition of the revaluation of the Motor TPL claims provisions of the 2009 and prior generations.

2) Recognition of the related deferred fiscal effect on the adjustment at note 1).

3) Recognition of the net balance of adjustments 1) and 2) above to reflect retroactively the effects on net equity at 1/1/2010.

<u>Attachment "B"</u>

PRO-FORMA 2011 FONDIARIA-SAI CONSOLIDATED FINANCIAL STATEMENTS WITH COMPARATIVE FIGURES OF THE EFFECTS THAT RECOGNITION ACCORDING TO THE RULES WOULD HAVE ON THE BALANCE SHEET, INCOME STATEMENT AND NET EQUITY AT DECEMBER 31, 2011.

BALANCE SHEET – ASSETS

(in Euro thousands)

		31/12/2011 published	Proforma adjustments	31/12/2011 proforma	NOTE
1	**INTANGIBLE ASSETS**	**1,462,890**	**0**	**1,462,890**	
1.1	Goodwill	1,367,737	0	1,367,737	
1.2	Other intangible assets	95,153	0	95,153	
2	**PROPERTY, PLANT & EQUIPMENT**	**401,744**	**0**	**401,744**	
2.1	Property	315,500	0	315,500	
2.2	Other tangible assets	86,244	0	86,244	
3	**REINSURANCE ASSETS**	**701,880**	**0**	**701,880**	
4	**INVESTMENTS**	**33,789,332**	**0**	**33,789,332**	
4.1	Investment property	2,759,245	0	2,759,245	
4.2	Investments in subsidiaries, associates and joint ventures	116,558	0	116,558	
4.3	Investments held to maturity	599,713	0	599,713	
4.4	Loans and receivables	3,688,865	0	3,688,865	
4.5	AFS financial assets	17,598,287	0	17,598,287	
4.6	Financial assets at fair value through the profit or loss account	9,026,664	0	9,026,664	
5	**OTHER RECEIVABLES**	**2,340,741**	**0**	**2,340,741**	
5.1	Receivables from direct insurance operations	1,698,430	0	1,698,430	
5.2	Receivables from reinsurance operations	78,637	0	78,637	
5.3	Other receivables	563,674	0	563,674	
6	**OTHER ASSETS**	**1,803,440**	**0**	**1,803,440**	
6.1	Non-current assets or disposal groups classified as held for sale	87,151	0	87,151	
6.2	Deferred acquisition costs	30,301	0	30,301	
6.3	Deferred tax assets	1,155,060	0	1,155,060	
6.4	Current tax assets	316,208	0	316,208	
6.5	Other assets	214,720	0	214,720	
7	**CASH AND CASH EQUIVALENTS**	**976,582**	**0**	**976,582**	
	TOTAL ASSETS	**41,476,609**	**0**	**41,476,609**	

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

(in Euro thousands)

		31/12/2011 published	Proforma adjustments	31/12/2011 proforma	NOTE
1	**SHAREHOLDERS' EQUITY**	**1,556,708**	**0**	**1,556,708**	
1.1	**Group**	**1,036,952**	**0**	**1,036,952**	
1.1.1	Share capital	494,731	0	494,731	
1.1.2	Other equity instruments	0	0	0	
1.1.3	Capital reserves	315,460	0	315,460	
1.1.4	Retained earnings and other reserves	1,834,570	-286,000	1,548,570	3)
1.1.5	(Treasury shares)	-213,026	0	-213,026	
1.1.6	Translation reserves	-56,772	0	-56,772	
1.1.7	Profit or loss on AFS financial assets	-478,283	0	-478,283	
1.1.8	Other gains and losses recorded directly in equity	-7,009	0	-7,009	
1.1.9	Group net loss	-852,719	286,000	-566,719	3)
1.2	**minority interest**	**519,756**	**0**	**519,756**	
1.2.1	Minority interest capital and reserves	903,659	-53,000	850,659	3)
1.2.2	Gains and losses recorded directly in equity	-201,984	0	-201,984	
1.2.3	Profit (loss) for the year pertaining to minority interests	-181,919	53,000	-128,919	3)
2	**PROVISIONS**	**322,310**	**0**	**322,310**	
3	**INSURA NCE CONTRACT LIABILITIES**	**35,107,505**	**0**	**35,107,505**	
4	**FINANCIAL LIABILITIES**	**3,143,273**	**0**	**3,143,273**	
4.1	Financial liabilities at fair value through profit or loss	1,303,886	0	1,303,886	
4.2	Other financial liabilities	1,839,387	0	1,839,387	
5	**PAYABLES**	**792,090**	**0**	**792,090**	
5.1	Payables to direct insurance operations	78,999	0	78,999	
5.2	Payables to reinsurance operations	84,912	0	84,912	
5.3	Other payables	628,179	0	628,179	
6	**OTHER LIABILITIES**	**554,723**	**0**	**554,723**	
6.1	Liabilities of a discontinued group held for sale	0	0	0	
6.2	Deferred tax liabilities	133,452	0	133,452	
6.3	Current tax liabilities	16,522	0	16,522	
6.4	Other liabilities	404,749	0	404,749	
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**41,476,609**	**0**	**41,476,609**	

INCOME STATEMENT

(in Euro thousands)

		2011 published	Proforma adjustments	31/12/2011 proforma	NOTE
1.1	Net premiums	10,527,344	0	10,527,344	
1.1.1	*Gross premiums written*	*10,850,258*	*0*	*10,850,258*	
1.1.2	*Premiums ceded to re-insurers*	*-322,914*	*0*	*-322,914*	
1.2	Commission income	24,433	0	24,433	
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	321,699	0	321,699	
1.4	Income from investments in subsidiaries, associates and joint ventures	826	0	826	
1.5	Income from other financial instruments and property investments	1,189,659	0	1,189,659	
1.5.1	*Interest income*	*827,269*	*0*	*827,269*	
1.5.2	*Other income*	*149,550*	*0*	*149,550*	
1.5.3	*Profits realized*	*212,535*	*0*	*212,535*	
1.5.4	*Valuation gains*	*305*	*0*	*305*	
1.6	Other revenues	666,720	0	666,720	
1	**TOTAL REVENUES AND INCOME**	**12,730,681**	**0**	**12,730,681**	
2.1	Net charges relating to claims	-10,240,770	517,000	-9,723,770	
2.1.2	*Amounts paid and changes in insurance contract liabilities*	*-10,406,857*	*517,000*	*-9,889,857*	1)
2.1.3	*Reinsurers' share*	*166,087*	*0*	*166,087*	
2.2	Commission expenses	-15,855	0	-15,855	
2.3	Charges from investments in subsidiaries, associates and joint ventures	-22,132	0	-22,132	
2.4	Charges from other financial instruments and property investments	-995,647	0	-995,647	
2.4.1	*Interest expense*	*-76,941*	*0*	*-76,941*	
2.4.2	*Other charges*	*-69,450*	*0*	*-69,450*	
2.4.3	*Losses realised*	*-142,293*	*0*	*-142,293*	
2.4.4	*Valuation losses*	*-706,963*	*0*	*-706,963*	
2.5	Management expenses	-1,875,313	0	-1,875,313	
2.5.1	*Commissions and other acquisition expenses*	*-1,406,623*	*0*	*-1,406,623*	
2.5.2	*Investment management charges*	*-16,016*	*0*	*-16,016*	
2.5.3	*Other administration expenses*	*-452,674*	*0*	*-452,674*	
2.6	Other expenses	-1,038,599	0	-1,038,599	
2	**TOTAL COSTS AND CHARGES**	**-14,188,316**	**517,000**	**-13,671,316**	
	LOSS BEFORE TAXES	**-1,457,635**	**517,000**	**-940,635**	
3	Income tax	**392,147**	**-178,000**	**214,147**	2)
	NET LOSS FROM CONTINUING OPERATIONS	**-1,065,488**	**339,000**	**-726,488**	
4	**PROFIT FROM DISCONTINUED OPERATIONS**	**30,850**	**0**	**30,850**	
	CONSOLIDATED LOSS	**-1,034,638**	**339,000**	**-695,638**	
	group share	-852,719	286,000	-566,719	
	minority share	-181,919	53,000	-128,919	

OPERATING LOSS PER SHARE (in Euro)	-3.96	1.29	-2.67
DILUTED OPERATING LOSS PER SHARE (in Euro)	-3.96	1.29	-2.67
LOSS PER SHARE (in Euro)	-3.87	1.28	-2.59
DILUTED LOSS PER SHARE (in Euro)	-3.87	1.28	-2.59

COMPREHENSIVE INCOME STATEMENT

	2011 published	Pro Forma adjustments	31/12/2011 proforma	NOTE
CONSOLIDATED LOSS	**-1,034,638**	**339,000**	**-695,638**	3)
Change in reserve for net exchange differences	-174	0	-174	
Profit or loss on AFS financial assets	-621,449	0	-621,449	
Profit or loss on cash flow hedges	-12,153	0	-12,153	
Profit or loss on a net foreign investment hedge	0	0	0	
Change in net equity of holdings	-3,990	0	-3,990	
Change in revaluation reserve of intangible assets	0	0	0	
Change in revaluation reserve of tangible fixed assets	0	0	0	
Income/(charges) on non-current assets or of a discontinued group held for sale	0	0	0	
Actuarial profits and losses and adjustments to employee defined plans	-7,254	0	-7,254	
Others items	-18	0	-18	
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**-645,038**	**0**	**-645,038**	
TOTAL COMPREHENSIVE CONSOLIDATED INCOME	**-1,679,676**	**339,000**	**-1,340,676**	
group share	**-1,318,642**	**286,000**	**-1,032,642**	
minority share	**-361,034**	**53,000**	**-308,034**	

NOTE:

1) Reversal of the revaluation of the Motor TPL claims provisions of the 2009 and prior generations.

2) Reversal of the related deferred fiscal effect on the adjustment at note 1).

3) Recognition to opening net equity of adjustments 1) and 2) with no effect based on retroactive accounting methods and consequent reclassification to the net result and other net provisions.

Separate and consolidated financial statements of Milano Assicurazioni for the year end December 31, 2011: Additional disclosure pursuant to Article 154-*ter*, paragraph 7, of Legs. Decree No. 58/98

On December 27, 2012, Milano Assicurazioni S.p.A. (hereafter “Milano Assicurazioni” or the “Company”), on the request of the Stock Market National Commission (hereafter “Consob” and/or “the Authority”), issued the following communication.

It is stated that:

- Consob notified Milano Assicurazioni – with communication of October 5, 2012 – that based on its review, the 2011 statutory and consolidated financial statements of the Company may not have been prepared in accordance with the applicable accounting standards, with particular reference to the accounting of the motor vehicle civil responsibility class (hereafter “Motor TPL”);
- Milano Assicurazioni communicated to Consob their considerations in relation to the above facts and circumstances through a communication and not to be in agreement with the issues raised by Consob;

On December 21, 2012 Consob issued Resolution No. 18432 (hereafter “Milano Consob Resolution”), communicated on the same date to the Company, stating the non-compliance of the 2011 statutory and consolidated financial statements of Milano Assicurazioni with the applicable accounting standards and requested the Company to disclose, pursuant to Article 154-ter, seventh paragraph, of the CFA, the following information:

a) the issues raised by Consob in relation to correct accounting in the above financial statements;
b) the national provisions and the International Accounting Standards applied and the violations highlighted;
c) the presentation of the pro-forma consolidated financial statements with comparative figures of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity for the years 2010 and 2011, which were reported in error.

In relation to the information to be published by the Company in accordance with that above-mentioned Consob Milano Resolution, in consideration:

- of the significant revaluation of the prior year Motor TPL claims provisions recognised in the 2011 consolidated income statement totaling Euro 330 million (Euro 310 million in the 2011 statutory financial statements), which significantly impacted the 2011 loss;
- of the insufficient 2010 Motor TPL claims provisions highlighted by Isvap communicated on November 17, 2011 as a minimum of Euro 203 million relating to 2009 and prior years;

Milano Assicurazioni issues the following replies.

<u>ISSUES RAISED BY CONSOB IN RELATION TO CORRECT ACCOUNTING IN THE 2011 MILANO ASSICURAZIONI STATUTORY AND CONSOLIDATED FINANCIAL STATEMENTS</u>

The issues raised by Consob concern:

- for the 2011 consolidated financial statements: the fact that the revaluation of the

Motor TPL claims provision for the 2009 and prior year generations – recognised by the Company in the preparation of the 2011 financial statements – should have been reported, according to Consob, as an error and recognised in accordance with IAS 8 with the restatement of the 2010 financial statements;

- for the 2011 statutory financial statements: the need for sufficient additional disclosure in the 2011 financial statements in relation to the fact that the result for the year, for the part concerning the insufficient TPL Motor claims provisions of the 2009 and prior year generations highlighted by Isvap (Euro 203 million) should have been reported in the previous year.

THE NATIONAL PROVISIONS AND THE INTERNATIONAL ACCOUNTING STANDARDS APPLIED AND THE VIOLATIONS HIGHLIGHTED BY CONSOB

In relation to the national provisions and the International Accounting Standards applied, the violations highlighted by Consob concern:

- for the 2011 consolidated financial statements: IAS 8 "Accounting policies, changes in accounting estimates and errors" (paragraphs 42 and subsequent), IFRS 4 "Insurance contracts", as well as IAS l "Presentation of financial statements" (paragraph 27), consider that the omissions and/or errors as highlighted by Consob are considered "material" in accordance with IAS 1, paragraph 7.
  IAS 8 establishes in fact that an error in a prior year – in this case, according to Consob, the underestimation of Motor TPL claims provisions in 2010 – must be corrected by retroactive establishment of values in the first authorised financial statements after discovery, re-determining the comparative amounts or, if the error relates to a year before that immediately preceding, the re-calculation of the opening asset, liabilities and net equity for the year immediately preceding.
  The non-application of IAS 8 resulted in the non-compliance of the 2011 Company consolidated financial statements with paragraph 27 of IAS l, which provides that an entity must prepare its financial statements according to the accruals principle. According to this principle, the effects of operations and other events are recorded to the financial statements of the relative periods in which they occur.
- for the 2011 statutory financial statements: compliance with the governing regulations and in particular the provisions of Articles 2423, paragraph 2 and subsequent and 2423 bis of the Civil Code.

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS AND COMPARATIVE FIGURES

In relation to that above, on the request of Consob, in the pro-forma consolidated financial statements of Milano Assicurazioni attached to the present press release, the effects in comparative terms of recognition as per that outlined by Consob would have on the balance sheet, income statement and net equity of the company for the financial years of 2010 and 2011 is illustrated.

The present press release must be read jointly with the 2011 consolidated financial statements of Milano Assicurazioni, in addition to the 2011 statutory financial statements of Milano Assicurazioni, available on the internet site of the Company (www.milass.it) in the "investor relations – Financial Statements and Reports – 2011" section.

Finally, the above-mentioned Consob Milano Resolution will be published on the internet site of the Commission (www.consob.it), as well as in the Consob bulletin.

The Company does not agree with Consob's opinion of non-compliance concerning the 2011 consolidated and statutory financial statements in the above resolution, based on the principal reasons previously outlined in part in the note communicated to Consob on October 22, 2012:

It is therefore noted:

- as established by the report issued on March 30, 2012, the company Deloitte & Touche S.p.A. declared that the 2011 consolidated financial statements of Milano Assicurazioni complied with IFRS as adopted by the European Union and the requirements pursuant to Article 90 of Legislative Decree No. 209/2005. They were prepared with clarity and represent in a true and fair manner the equity and financial situation, the result and the cash flows of the Milano Assicurazioni Group at that date;
- as well as on the provision of authoritative opinions by leading professionals;

Milano Assicurazioni considers, as does the parent company Fondiaria-SAI, that the change in the value of the Motor TPL claims provision recorded in 2011 concerning the 2009 and prior generations, is based on a change in the estimation and not on the correction of an error, as proposed by Consob. In this regard, reference should be made to the 2011 consolidated financial statements (pages 861 – 863), available on the internet site of the Company (www.milass.it) in the “investor relations – Financial Statements and Reports – 2011” section;

In addition we consider that – in light of the certain position of Milano Assicurazioni that on the approval of the 2011 financial statements that the change in the Motor TPL claims provision in 2011 was due to a change in the estimation process and not due to the correction of an error (and consequently in the absence of consideration of this change as a correction of an irregularity in the estimated provision for the 2010 financial statements) the Company, on the approval of the 2011 financial statements, could not avail of any information on which to provide “sufficient additional disclosure” to the 2011 statutory financial statements.

Massimo Dalfelli, as the Executive Responsible for the preparation of the corporate accounting documents of Milano Assicurazioni, declares in accordance with Article 154 bis, paragraph 2, of the Consolidated Finance Act, that the accounting information contained in the present Press Release, other than the pro-forma figures, corresponds to the underlying accounting documents, records and accounting entries.

Attachments:

Pro-forma 2010 Milano Assicurazioni consolidated financial statements with comparative figures of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity at December 31, 2010.

Pro-forma 2011 Milano Assicurazioni consolidated financial statements with comparative figures of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity at December 31, 2011;

Attachment "A"

PRO-FORMA 2010 MILANO ASSICURAZIONI CONSOLIDATED FINANCIAL STATEMENTS WITH COMPARATIVE FIGURES OF THE EFFECTS THAT RECOGNITION ACCORDING TO THE RULES WOULD HAVE ON THE BALANCE SHEET, INCOME STATEMENT AND NET EQUITY AT DECEMBER 31, 2010.

BALANCE SHEET - ASSETS

(in Euro thousands)

		31/12/2010 published	Proforma adjustments	31/12/2010 proforma	NOTE
1	**INTANGIBLE ASSETS**	**250,012**	**0**	**250,012**	
1.1	Goodwill	231,052	0	231,052	
1.2	Other intangible assets	18,960	0	18,960	
2	**PROPERTY, PLANT & EQUIPMENT**	**64,111**	**0**	**64,111**	
2.1	Property	58,141	0	58,141	
2.2	Other tangible assets	5,970	0	5,970	
3	**REINSURANCE ASSETS**	**434,652**	**0**	**434,652**	
4	**INVESTMENTS**	**9,101,143**	**0**	**9,101,143**	
4.1	Investment property	1,000,349	0	1,000,349	
4.2	Investments in subsidiaries, associates and joint ventures	202,391	0	202,391	
4.3	Investments held to maturity	121,798	0	121,798	
4.4	Loans and receivables	660,504	0	660,504	
4.5	AFS financial assets	6,827,511	0	6,827,511	
4.6	Financial assets at fair value through the profit or loss account	288,590	0	288,590	
5	**OTHER RECEIVABLES**	**1,034,818**	**0**	**1,034,818**	
5.1	Receivables from direct insurance operations	662,794	0	662,794	
5.2	Receivables from reinsurance operations	69,553	0	69,553	
5.3	Other receivables	302,471	0	302,471	
6	**OTHER ASSETS**	**327,893**	**70,000**	**397,893**	
6.1	Non-current assets or disposal groups classified as held for sale	3,451	0	3,451	
6.2	Deferred acquisition costs	7,477	0	7,477	
6.3	Deferred tax assets	205,915	70,000	275,915	2)
6.4	Current tax assets	42,821	0	42,821	
6.5	Other assets	68,229	0	68,229	
7	**CASH AND CASH EQUIVALENTS**	**284,665**	**0**	**284,665**	
	TOTAL ASSETS	**11,497,294**	**70,000**	**11,567,294**	

BALANCE SHEET – SHAREHOLDERS’ EQUITY & LIABILITIES

(in Euro thousands)

		31/12/2010 published	Proforma adjustments	31/12/2010 proforma	NOTE
1	**SHAREHOLDERS’ EQUITY**	**1,304,567**	**-133,000**	**1,171,567**	3)
1.1	**Group**	**1,303,248**	**-133,000**	**1,170,248**	
1.1.1	Share capital	305,851	0	305,851	
1.1.2	Other equity instruments	0	0	0	
1.1.3	Capital reserves	718,147	0	718,147	
1.1.4	Retained earnings and other reserves	980,995	-133,000	847,995	
1.1.5	(Treasury shares)	-31,353	0	-31,353	
1.1.6	Translation reserve	0	0	0	
1.1.7	Profit or loss on AFS financial assets	1,989	0	1,989	
1.1.8	Other gains and losses recorded directly in equity	-3,670	0	-3,670	
1.1.9	Group net loss	-668,711	0	-668,711	
1.2	**minority interest**	**1,319**	**0**	**1,319**	
1.2.1	Minority interest capital and reserves	1,502	0	1,502	
1.2.2	Gains and losses recorded directly in equity	-3	0	-3	
1.2.3	Profit (loss) for the year pertaining to minority interests	-180	0	-180	
2	**PROVISIONS**	**136,139**	**0**	**136,139**	
3	**INSURANCE CONTRACT LIABILITIES**	**9,144,336**	**203,000**	**9,347,336**	1)
4	**FINANCIAL LIABILITIES**	**427,946**	**0**	**427,946**	
4.1	Financial liabilities at fair value through profit or loss	61,643	0	61,643	
4.2	Other financial liabilities	366,303	0	366,303	
5	**PAYABLES**	**309,410**	**0**	**309,410**	
5.1	Payables to direct insurance operations	31,388	0	31,388	
5.2	Payables to reinsurance operations	40,428	0	40,428	
5.3	Other payables	237,594	0	237,594	
6	**OTHER LIABILITIES**	**174,896**	**0**	**174,896**	
6.1	Liabilities of a discontinued group held for sale	0	0	0	
6.2	Deferred tax liabilities	33,223	0	33,223	
6.3	Current tax liabilities	2,164	0	2,164	
6.4	Other liabilities	139,509	0	139,509	
	TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**11,497,294**	**70,000**	**11,567,294**	

INCOME STATEMENT

(in Euro thousands)

		2010 published	Proforma adjustments	2010 proforma
1.1	Net premiums	3,464,853	0	3,464,853
1.1.1	*Gross premiums written*	*3,613,941*	*0*	*3,613,941*
1.1.2	*Premiums ceded to re-insurers*	*-149,088*	*0*	*-149,088*
1.2	Commission income	874	0	874
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	-637	0	-637
1.4	Income from investments in subsidiaries, associates and joint ventures	1,727	0	1,727
1.5	Income from other financial instruments and property investments	447,351	0	447,351
1.5.1	*Interest income*	*213,206*	*0*	*213,206*
1.5.2	*Other income*	*70,063*	*0*	*70,063*
1.5.3	*Profits realised*	*163,821*	*0*	*163,821*
1.5.4	*Valuation gains*	*261*	*0*	*261*
1.6	Other revenues	166,549	0	166,549
1	**TOTAL REVENUES AND INCOME**	**4,080,717**	**0**	**4,080,717**
2.1	Net charges relating to claims	-3,278,381	0	-3,278,381
2.1.2	*Amounts paid and changes in insurance contract liabilities*	*-3,342,507*	*0*	*-3,342,507*
2.1.3	*Reinsurers' share*	*64,126*	*0*	*64,126*
2.2	Commission expenses	-82	0	-82
2.3	Charges from investments in subsidiaries, associates and joint ventures	-41,355	0	-41,355
2.4	Charges from other financial instruments and property investments	-511,752	0	-511,752
2.4.1	*Interest expense*	*-13,726*	*0*	*-13,726*
2.4.2	*Other charges*	*-23,047*	*0*	*-23,047*
2.4.3	*Losses realised*	*-56,731*	*0*	*-56,731*
2.4.4	*Valuation losses*	*-418,248*	*0*	*-418,248*
2.5	Management expenses	-668,834	0	-668,834
2.5.1	*Commissions and other acquisition expenses*	*-541,282*	*0*	*-541,282*
2.5.2	*Investment management charges*	*-4,107*	*0*	*-4,107*
2.5.3	*Other administration expenses*	*-123,445*	*0*	*-123,445*
2.6	Other expenses	-335,182	0	-335,182
2	**TOTAL COSTS AND CHARGES**	**-4,835,586**	**0**	**-4,835,586**
	LOSS BEFORE TAXES	**-754,869**	**0**	**-754,869**
3	Income tax	**82,697**	**0**	**82,697**
	NET LOSS FROM CONTINUING OPERATIONS	**-672,172**	**0**	**-672,172**
4	**PROFIT FROM DISCONTINUED OPERATIONS**	**3,281**	**0**	**3,281**
	CONSOLIDATED LOSS	**-668,891**	**0**	**-668,891**
	group share	-668,711	0	-668,711
	minority share	-180	0	-180

OPERATING LOSS PER SHARE (in Euro)	-1.16	0	-1.16
DILUTED OPERATING LOSS PER SHARE (in Euro)	-1.16	0	-1.16
LOSS PER SHARE (in Euro)	-1.17	0	-1.17
DILUTED LOSS PER SHARE (in Euro)	-1.17	0	-1.17

COMPREHENSIVE INCOME STATEMENT

	2010 published	Proforma adjustments	2010 proforma
CONSOLIDATED LOSS	**-668,891**	**0**	**-668,891**
Change in reserve for net exchange differences	0	0	0
Profit or loss on AFS financial assets	150,548	0	150,548
Profit or loss on cash flow hedges	-599	0	-599
Profit or loss on a net foreign investment hedge	0	0	0
Change in net equity of holdings	0	0	0
Change in revaluation reserves of intangible assets	0	0	0
Change in revaluation reserves of tangible fixed assets	0	0	0
Income/(charges) on non-current assets or of a discontinued group held for sale	1,322	0	1,322
Actuarial profits and losses and adjustments to employee defined plans	-605	0	-605
Others items	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**150,666**	**0**	**150,666**
TOTAL COMPREHENSIVE CONSOLIDATED INCOME	**-518,225**	**0**	**-518,225**
group share	**-518,643**	**0**	**-518,643**
minority share	**418**	**0**	**418**

NOTE:

1) Recognition of the revaluation of the Motor TPL claims provisions of the 2009 and prior generations.

2) Recognition of the related deferred fiscal effect on the adjustment at note 1).

3) Recognition of the net balance of adjustments 1) and 2) above to reflect retroactively the effects on net equity at 1/1/2010.

Attachment "B"

PRO-FORMA 2011 MILANO ASSICURAZIONI CONSOLIDATED FINANCIAL STATEMENTS WITH COMPARATIVE FIGURES OF THE EFFECTS THAT RECOGNITION ACCORDING TO THE RULES WOULD HAVE ON THE BALANCE SHEET, INCOME STATEMENT AND NET EQUITY AT DECEMBER 31, 2011.

BALANCE SHEET – ASSETS

(in Euro thousands)

		31/12/2011 published	Proforma adjustments	31/12/2011 proforma	NOTE
1	**INTANGIBLE ASSETS**	**242,489**	**0**	**242,489**	
1.1	Goodwill	231,052	0	231,052	
1.2	Other intangible assets	11,437	0	11,437	
2	**PROPERTY, PLANT & EQUIPMENT**	**52,350**	**0**	**52,350**	
2.1	Property	47,006	0	47,006	
2.2	Other tangible assets	5,344	0	5,344	
3	**REINSURANCE ASSETS**	**328,931**	**0**	**328,931**	
4	**INVESTMENTS**	**8,355,884**	**0**	**8,355,884**	
4.1	Investment property	910,693	0	910,693	
4.2	Investments in subsidiaries, associates and joint ventures	100,416	0	100,416	
4.3	Investments held to maturity	128,927	0	128,927	
4.4	Loans and receivables	905,538	0	905,538	
4.5	AFS financial assets	6,084,206	0	6,084,206	
4.6	Financial assets at fair value through the profit or loss account	226,104	0	226,104	
5	**OTHER RECEIVABLES**	**959,272**	**0**	**959,272**	
5.1	Receivables from direct insurance operations	614,040	0	614,040	
5.2	Receivables from reinsurance operations	47,067	0	47,067	
5.3	Other receivables	298,165	0	298,165	
6	**OTHER ASSETS**	**558,122**	**0**	**558,122**	
6.1	Non-current assets or disposal groups classified as held for sale	44,503	0	44,503	
6.2	Deferred acquisition costs	10,741	0	10,741	
6.3	Deferred tax assets	393,848	0	393,848	
6.4	Current tax assets	40,595	0	40,595	
6.5	Other assets	68,435	0	68,435	
7	**CASH AND CASH EQUIVALENTS**	**470,804**	**0**	**470,804**	
	TOTAL ASSETS	**10,967,852**	**0**	**10,967,852**	

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

(in Euro thousands)

		31/12/2011 published	Proforma adjustments	31/12/2011 proforma	NOTE
1	**SHAREHOLDERS' EQUITY**	**929,537**	**0**	**929,537**	
1.1	**Group**	**928,212**	**0**	**928,212**	
1.1.1	Share capital	373,682	0	373,682	
1.1.2	Other equity instruments	0	0	0	
1.1.3	Capital reserves	951,244	0	951,244	
1.1.4	Retained earnings and other reserves	350,086	-133,000	217,086	3)
1.1.5	(Treasury shares)	-31,353	0	-31,353	
1.1.6	Translation reserves	0	0	0	
1.1.7	Profit or loss on AFS financial assets	-222,178	0	-222,178	
1.1.8	Other gains and losses recorded directly in equity	-5,790	0	-5,790	
1.1.9	Group net loss	-487,479	133,000	-354,479	3)
1.2	**minority interest**	**1,325**	**0**	**1,325**	
1.2.1	Minority interest capital and reserves	1,461	0	1,461	
1.2.2	Gains and losses recorded directly in equity	-8	0	-8	
1.2.3	Profit (loss) for the year pertaining to minority interests	-128	0	-128	
2	**PROVISIONS**	**119,870**	**0**	**119,870**	
3	**INSURANCE CONTRACT LIABILITIES**	**9,072,199**	**0**	**9,072,199**	
4	**FINANCIAL LIABILITIES**	**370,197**	**0**	**370,197**	
4.1	Financial liabilities at fair value through profit or loss	70,858	0	70,858	
4.2	Other financial liabilities	299,339	0	299,339	
5	**PAYABLES**	**290,509**	**0**	**290,509**	
5.1	Payables to direct insurance operations	24,723	0	24,723	
5.2	Payables to reinsurance operations	26,604	0	26,604	
5.3	Other payables	239,182	0	239,182	
6	**OTHER LIABILITIES**	**185,540**	**0**	**185,540**	
6.1	Liabilities of a discontinued group held for sale	0	0	0	
6.2	Deferred tax liabilities	46,542	0	46,542	
6.3	Current tax liabilities	0	0	0	
6.4	Other liabilities	138,998	0	138,998	
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**10,967,852**	**0**	**10,967,852**	

INCOME STATEMENT

(in Euro thousands)

		2011 published	Proforma adjustments	2011 proforma	NOTE
1.1	Net premiums	3,279,514	0	3,279,514	
1.1.1	*Gross premiums written*	*3,421,124*	*0*	*3,421,124*	
1.1.2	*Premiums ceded to re-insurers*	*-141,610*	*0*	*-141,610*	
1.2	Commission income	851	0	851	
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	-15,127	0	-15,127	
1.4	Income from investments in subsidiaries, associates and joint ventures	388	0	388	
1.5	Income from other financial instruments and property investments	372,321	0	372,321	
1.5.1	*Interest income*	*238,143*	*0*	*238,143*	
1.5.2	*Other income*	*51,803*	*0*	*51,803*	
1.5.3	*Profits realised*	*82,375*	*0*	*82,375*	
1.5.4	*Valuation gains*	*0*	*0*	*0*	
1.6	Other revenues	180,098	0	180,098	
1	**TOTAL REVENUES AND INCOME**	**3,818,045**	**0**	**3,818,045**	
2.1	Net charges relating to claims	-3,062,765	203,000	-2,859,765	
2.1.2	*Amounts paid and changes in insurance contract liabilities*	*-3,123,757*	*203,000*	*-2,920,757*	1)
2.1.3	*Reinsurers' share*	*60,992*	*0*	*60,992*	
2.2	Commission expenses	-233	0	-233	
2.3	Charges from investments in subsidiaries, associates and joint ventures	-17,549	0	-17,549	
2.4	Charges from other financial instruments and property investments	-392,761	0	-392,761	
2.4.1	*Interest expense*	*-12,518*	*0*	*-12,518*	
2.4.2	*Other charges*	*-21,290*	*0*	*-21,290*	
2.4.3	*Losses realized*	*-52,355*	*0*	*-52,355*	
2.4.4	*Valuation losses*	*-306,598*	*0*	*-306,598*	
2.5	Management expenses	-632,686	0	-632,686	
2.5.1	*Commissions and other acquisition expenses*	*-508,066*	*0*	*-508,066*	
2.5.2	*Investment management charges*	*-5,521*	*0*	*-5,521*	
2.5.3	*Other administration expenses*	*-119,099*	*0*	*-119,099*	
2.6	Other expenses	-336,679	0	-336,679	
2	**TOTAL COSTS AND CHARGES**	**-4,442,673**	**203,000**	**-4,239,673**	
	LOSS BEFORE TAXES	**-624,628**	**203,000**	**-421,628**	
3	Income tax	**106,170**	**-70,000**	**36,170**	2)
	NET LOSS FROM CONTINUING OPERATIONS	**-518,458**	**133,000**	**-385,458**	
4	**PROFIT FROM DISCONTINUED OPERATIONS**	**30,851**	**0**	**30,851**	
	CONSOLIDATED LOSS	**-487,607**	**133,000**	**-354,607**	
	group share	-487,479	133,000	-354,479	
	minority share	-128	0	-128	

OPERATING LOSS PER SHARE (in Euro)	-0.43	0.11	-0.32
DILUTED OPERATING LOSS PER SHARE (in Euro)	-0.43	0.11	-0.32
LOSS PER SHARE (in Euro)	-0.40	0.11	-0.29
DILUTED LOSS PER SHARE (in Euro)	-0.40	0.11	-0.29

COMPREHENSIVE INCOME STATEMENT

	2011 published	Proforma adjustments	31/12/2011 proforma	NOTE
CONSOLIDATED LOSS	**-487,607**	**133,000**	**-354,607**	3)
Change in reserve for net exchange differences	0	0	0	
Profit or loss on AFS financial assets	-224,172	0	-224,172	
Profit or loss on cash flow hedges	-2,522	0	-2,522	
Profit or loss on a net foreign investment hedge	0	0	0	
Change in net equity of holdings	0	0	0	
Change in revaluation reserves of intangible assets	0	0	0	
Change in revaluation reserves of tangible fixed assets	0	0	0	
Income/(charges) on non-current assets or of a discontinued group held for sale	0	0	0	
Actuarial profits and losses and adjustments to employee defined plans	402	0	402	
Others items	0	0	0	
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**-226,292**	**0**	**-226,292**	
TOTAL COMPREHENSIVE CONSOLIDATED INCOME	**-713,899**	**133,000**	**-580,899**	
group share	**-713,766**	**133,000**	**-580,766**	
minority share	**-133**	**0**	**-133**	

NOTE:

1) Reversal of the revaluation of the Motor TPL claims provisions of the 2009 and prior generations.

2) Reversal of the related deferred fiscal effect on the adjustment at note 1).

3) Recognition to opening net equity of adjustments 1) and 2) with no effect based on retroactive accounting methods and consequent reclassification to the net result and other net provisions.

LITIGATION

Actions by shareholders of the subsidiary Fondiaria-SAI

Since 2003 certain shareholders of La Fondiaria Assicurazioni S.p.A. (“Fondiaria”) intiated legal proceedings to seek, albeit on the basis of different assumptions and for different legal reasons, compensation for damages which, they claim, relate to the failure by SAI Società Assicuratrice Industriale S.p.A. to launch a public offer upon the incorporation of Fondiaria in December 2002.

To date, a total of thirteen proceedings are pending against Fondiaria-SAI and Mediobanca Banca di credito Finanziario S.p.A. as defendants. Premafin is a defendant in nine of the proceddings.

At present (the last writ of summons was delivered on 15 February 2012), the following is an analysis of degree of judgment:

- one claim is at first instance before the Court of Milan;
- five judgements are awaiting judgement in the Court of Appeal of Milan, two of which have been deferred;
- two proceedings are pending the termination of the period within which the counterparty may appeal to the “Corte di Cassazione”;
- four judgements are pending before the Supreme Court;
- one judgement must be resumed in the Court of Appeal following a ruling of the Supreme Court.

In respect of the judgements it is noted that:

- all first-instance decsions (with the exception of the one issued by the Court of Florence in favour of the defendant companies) have, for different reasons, upheld the plaintiffs’ claims and ordered the defendants to pay substantial sums in damages. On appeal, execution of sentences was suspended for all (except two) sentences;
- at present, all decisions issued by the Court of Appeal of Milan upheld the appeals lodged by Fondiaria-SAI, MedioBanca and Premafin, overturning the first-instance judgments and ordering the counterparties to cover costs and, in the two cases in which the sentences had not been suspended, the restitution of the sums received;
- the “Corte di Cassazione” in the three judgements given in August 2012, upheld the appeals, quashed the judgment of second instance, and referred the cases to the Court of Appeal of Milan to reconsider their merits and decide on costs of proceedings.
- on 18 March 2013, The Court of Appeal of Florence, in the only case to be heard in Florence, upheld the decision of the Court of Florence that had rejected all the claims for compensation made by the plaintiffs.

The three recent judgements of the “Corte di Cassazione” mark a new and different approach in respect of the Supreme Court’s rights with regard to the arguments brought about by the defendant companies, which to date had been consistently shared by the Court of Appeal. The three judgements of the “Corte di Cassazione” have in fact established the principle of law that, in the event of breach of the obligation to make a public offer by those who - as a result of acquisitions – become a shareholder of more than 30% of the share capital, responsibility rests with the shareholders to whom the public offer should have been addressed to prove that they missed an opportunity to make a gain. Moreover, as further evidence of the compexity of this matter, one is to note that the Court of Appeal of Florence rejected the appeals launched by certain Fondiaria shareholders against the first - instance judgement that was in favour of the defendants.

Despite the uncertainty that typically characterises the outcome of judgements laid before the Court of Appeal of Milan, which must reconsider the merits of the claim, both by establishing whether in February 2002, the three defendants acted together and had cumulatively exceeded the public offer threshold of 30%, as well as assessing if appropriate, the existence and amount of damages; the Company has considered it appropriate to strengthen the provision for contractual risks. The increase was decided upon after taking into consideration the pronouncement of the Supreme Court as well as results of assessments to quantify the degree of risk of an adverse outcome together with claims that have not resulted in litigation to date. The Company and the Group have worked out analytical estimates of the possible outcomes of the said judgements and have estimated total liabilities of Euro 87.4 million, which led to an increase of Euo 36.9 million in the provision for risks.

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

In relation to the dispute with the "Comune di Milano," concerning a commitment to sell land at predetermined prices, one is to note that in May 2008 the Court of Appeal had partially reversed the first instance judgement, by which the Company was condemned to compensate for damages caused by the failure to acquire the land, by deciding that only two of the agreements constituted binding preliminary purchase agreements for the respective areas under dispute, and by confirming the basis for quantification of damages to be paid in a separate trial. In this regard, again in 2008, the Company proceeded to lodge an appeal to the "Corte di Cassazione" for which, at present, a hearing is awaited.

Having said that, given that the judgement of the Court of Appeal is provisionally enforceable, in October 2012 the "Comune di Milano" summoned Premafin before the Court of Milan for the quantification and assessment of damages suffered.

In relation to this case, even if the appeal is pending before the Supreme Court and there is uncertainty as to its possible outcome, considering the writ of summons presented by the "Comune di Milano" and on the basis of studies and comparisons made by independent real estate experts to quantify the possible damages, and also considering the risk of inoperability of sureties issued by IM.CO. (a company recently declared bankrupt) and its subsidiaries, and notwithstanding the ongoing objection to Premafin's non-admission to IM.CO's bankruptcy liabilities, the Company has estimated a liability of about Euro 12.5 million that led to strengthening of the related provision for risks of Euro 10.3 million.

Tax Audits

In December 2012, the Major Contributions Office of the Tuscany Tax Agency notified five assessments to Fondiaria-SAI and six to Milano Assicurazioni - following investigations begun in 2009 by the Tuscany Office on writs of the Florence Prosecutor's Office – which contested the deductibility of remuneration paid to Mr. Ligresti in the periods, respectively 2003-2008 and 2003-2010, considering the imprecise nature of the assignments, the lack of proof of execution of such and the consequent amounts paid. These considerations were supported by the reports as per Article 2408 of the Civil Code of 16/3/2012 and 26/10/2012 prepared by the Board of Statutory Auditors of Fondiaria-SAI.

Considering the significance of the offences charged and therefore the doubling of the assessment times as per Article 43, Paragraph 3 of Presidential Decree 600/73, the Tuscany Tax Agency assessed also the tax periods previously established.

Following the investigations carried out, also with the support of external experts, it was considered that sufficient cause to support an appeal to the Tax Agency were not in place, due to the low probatory value of the documentation collected to support the effectiveness and the extent of the activities carried out. The presence of unfavourable reports by the Internal Control Bodies was also considered, in addition to the sanctions issued by the Supervisory Bodies having considered the interest of the Company in incurring such costs as unproven and the possible taking of legal or compensatory actions.

The amounts requested under the assessment notices amounted to over Euro 24.7 million for higher taxes (of which approx. Euro 15.1 million concerning Fondiaria-SAI and approx. Euro 9.6 million concerning Milano Assicurazioni), interest and penalties (applied in the measure of 150%), with the conclusion, through appeal to the Acquiescence Court, with the payment of over Euro 12 million (of which approx. Euro 8.1 million concerning Fondiaria-SAI and approx. Euro 4 million concerning Milano Assicurazioni), taking into account the substantial double imposition on the buyer and seller of services.

Similar assessments may concern also the tax periods 2009-2010. As these refer to years in which losses were declared, no charges will be incurred for penalties and interest. The lower deferred tax assets due to the possible reduction of the tax losses concerning these years were accrued to the tax risks provision for approx. Euro 3.7 million (of which approx. Euro 2.9 million concerning Fondiaria-SAI and approx. Euro 0.8 million concerning Milano Assicurazioni).

SOCIAL RESPONSIBILITY

With reference to Legislative Decree No. 32/2007, through which the EU directive No. 51/2003 was partially implemented, together with the financial indicators, the civil code requires that the Annual Report should also provide non financial indicators, where these can contribute to greater information on the company's situation. Article 94 of the Private Insurance Code, updated in January 2009, also requires that the Directors' Report contains non-financial indicators relating to the specific activities exercised, including information relating to the environment and personnel.

The Group's commitments to socio-environmental issues are briefly summarised in this section.

HUMAN RESOURCES

General Information

At December 31, 2012, the workforce of the Group numbered 7,457 (7,611 at 31/12/2011), of which 20 employees of Premafin (20 in 2011). L'organico totale è composto come segue:

	31.12.12	31.12.11	Change
Italian companies	5,893	5,949	(56)
Foreign companies	1,504	1,662	(158)
Group	**7,397**	**7,611**	**(214)**

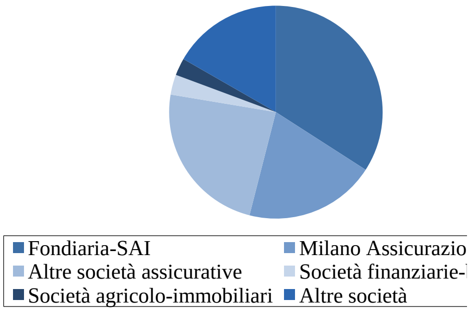
The above table does not include the seasonal personnel of Atahotels, comprising 79 persons at 31/12/2012 (88 at 31/12/2011).

For the foreign companies, the employee numbers reduced in the company DDOR due to the restructuring actions undertaken at the Serbian company which involved particular focus on administrative and non productive sales force personnel.

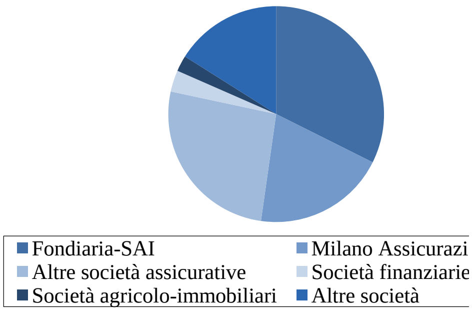
For the Italian companies, the changes are due to the retraining of some Group employees, aimed at the rationalisation of processes, the containment of operating costs through a more stringent resource allocation plan and the re-launch of leaving incentives for those who have fulfilled their pensionable requirements.

In addition, the employees of the foreign companies include 552 brokers.

At 31/12/2012



At 31/12/2011



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

Company	Personnel in %
Fondiaria-SAI	33
Milano Ass.ni	20
Other insurance companies	25
Financial/banking companies	3
Agricultural/real estate companies	3
Other companies	16

Development and selection processes

Parallel to the usual institutional activities focused on enhancing the qualities of human resources, such as the evaluation of skills through the Skills Model adopted in 2006, the assessment of training needs and the provision of specific relative courses, the extension of the mapping of technical know-how for the professional family and the introduction of retention policies concerning the professions in most demand, the Fondiaria SAI Group in 2012 dedicated particular attention to young graduates.

In this regard, the actions were undertaken on two fronts:

The "Talents" project

Established in 2011, the project was drawn up to incorporate and improve the skills on a technical and managerial level of a restricted number of high potential graduates, selected from outside the Group, in order to ensure the availability within a reasonably short time period of candidates to take up positions of responsibility within the organisation - or Project Leaders or highly qualified professionals.

In the medium to long-term period, the objective is to consolidate intellectual capital for key roles.

Particular attention was dedicated to a "recruiting" phase, with the collaboration of the major universities of the cities in which the Group has its principal offices, through the examination of approximately 800 Curriculum Vitae which resulted in 170 graduates participating in the selection tests.

The selection process involves the valuation of the potential of candidates through the assessment center method, conducted directly by the Group Human Resources specialists, broken down into various situations, such as:

- Free role Work Groups;
- Individual work concerning the solution of incidents;
- Individual interview and evaluation of Curriculum Vitae, of abilities and of motivations.

The candidates were examined in relation to the following areas: managerial (leadership, people management, programming/co-ordination); cognitive (problem solving, organised vision); realisational (independence, energy); relational (communication, management of relations), emotional (adaptability).

The selection concluded with the identification of 20 suitable candidates, with degrees in Economics, Law, Statistical and Actuarial Sciences, Mathematics and Industrial Engineering. The average age of candidates was 25.

The candidates were hired under long-term contracts and undertook a course of inter-departmental development which involved:

- Job rotation, with operating experience in different company departments.
- Participation in a Masters in Insurance, specifically drawn up for the Project in order to provide inter-disciplinary knowledge of the principal sector issues.
- Technical training, in order to have a complete and efficient conceptual outlook within the Company.

- Mentoring, to supervise training on the job and provide support to create a network within the organisation.

The inter-departmental courses concern the technical-commercial areas, technical-loss adjustment, supervisory and control, finance, administration and control.

The targeted positions at the end of job rotation concern the Risk Management, Compliance, Audit, Legal, Finance, Operations Control and Administration departments and the Business functions (agency networks, motor and retail products, corporate products, claims networks and other claims structures).

Each step of the project involves a merit-based "Collective" evaluation involving the Direct Manager of the Department in which the person has been placed, the Human Resources Management, in addition to any "lateral" evaluators.

Following the evaluation, compensation is considered and the choice of the department in which the on the job training will be carried out.

At the end of the course, an Assessment Center considers where the individual will be placed.

"Internal" talents project

Along with the introduction of the external "Talents" project, increased attention was focused on young graduates already employed within the Group, but placed on "traditional" courses (therefore differing than those involved in the "Talents" Project).

The objective is to identify those with the highest potential and to strengthen, in general, the motivation of young graduates within the Group.

Over 100 employees were identified based on age, seniority, duties, in relation to whom evaluations of potential were carried out through individual management review interviews (preference was given to the "critical" professions to identify any urgent promotional activity, training needs and individual development plans).

The selection process in general

The subsequent phases of the project concern evaluations through the assessment center.

The selection process is based on a constant analysis and mapping of the needs of new skills and professional attributes which emerge from within the Group. The process is undertaken through a methodology which differentiates by type of profile required. The selection process therefore may be broken down into the following steps: focused interview to evaluate capacity, quality and motivations, individual technical interviews to determine the level of technical/specialist know-how and an assessment centre to record potential.

In 2012, the Group, with the exception of the hiring of Graduates in the Talent Programme, stepped up the targeted internal mobility policy introduced in previous years, aimed at promoting its personnel in taking up different professional opportunities in the various offices. This policy permitted target investments in the skills present within the Group and to offer significant individual growth opportunities to employees.

Particular attention was also dedicated to the promotion policies and recruitment to attract the best talent available in the marketplace. Participation at events organised at the universities and business schools continued, in addition to offers of internships and traineeships. The "Talents" Project permitted the Group to further consolidate its ties with the university system and achieve a good positioning on the job recruitment market.

Training at Fondiaria-SAI

During 2012, training was managed, in relation to employees, with specific projects which, under the central coordination of the Development and Training Unit, involved employees from all corporate structures.

The training offer concerns managerial training courses, specific role training, compulsory institutional training and professional skill training.

In relation to this latter, the training process combines the various employee management aspects, creating the opportunity for each manager to plan with their staff - through the training courses offered by profession created by the Training Department - the most suitable process to guarantee targeted development of the Company Human Resources.

The overall offer is made accessible to all employees on-line, which allows appraising of the activities programmed, together with all updates and new courses in the year and the signing up to the various initiatives.

The main training initiatives in 2012 included:

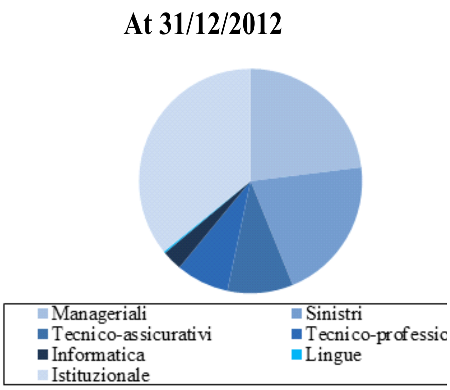
- the involvement of the internal commercial structure in a Managerial Training Project involving differentiated courses, and addressed to Managers within the sales area, development of the sales force and Life insurance sector Commercial Managers (184 persons involved overall);
- in relation to the claims line, the creation and the provision to administrative team managers and to three pilot classrooms (43 persons) a course targeted at developing skills, capacity and abilities, with practice focused on the use of instruments and the organisation of the administrative process and of the related activities. The initiative will continue in 2013 involving all the claims administration personnel (approx. 300 persons) with 16 courses throughout the country;
- the kick off of a Masters in Insurance for 20 new graduates and the subsequent provision of 14 courses on issues relating to Mathematics, Finance and Statistics, Financial Statements, Organisation, Planning, Control, Compliance, Strategy, Marketing, Finance, Corporate Valuation, Risk Management, Real Estate Finance and Insurance Law;
- within the New Catalogue of Internal Courses distributed at the beginning of this year, in addition to the initiatives already carried out in the previous year, the provision of new activities, such as for example the New Theft and Accident Laboratories;
- within the activities on the e-learning platform an important awareness campaign concerning Workplace Health and Security was carried out (approximately 3,000 persons involved);
- in order to improve the quality of training, the integration of the verification system with student and manager questionnaires.

The typical indicators to measure training performance are represented by the concepts of number of attendances and training days.
For attendance, the number of participants at each individual initiative is taken: for example, if one individual participates at 2 different and separate initiatives, then 2 attendances are recorded.

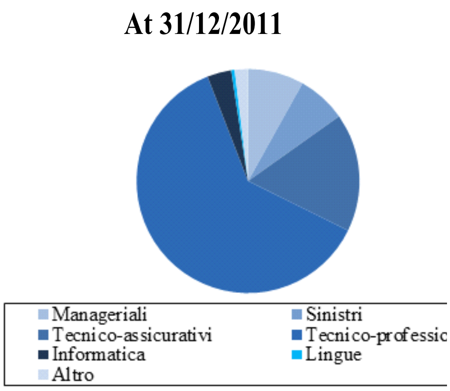
For training days, the number of attendances by the number of days of the initiative is taken.

The following table shows the activities broken down by the courses organised within the Company for the classroom (INTERNAL) and distance (FAD) and the subscription to external courses (EXTERNAL).

Graph 5 - Personnel Involved by Type of Initiative and Course



Courses	Personnel in %
Management	23
Claims	21
Technical - insurance	10
Technical - professional	8
Information technology	3
Languages	-
Institutional	36



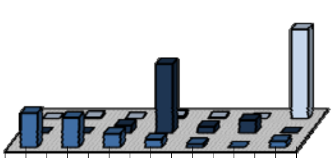
Courses	Personnel in %
Management	8
Claims	7
Technical - insurance	17
Tehnical - professional	62
Information technology	4
Languages	-
Other	2

The following graph shows the level of activity, broken down between courses designed and organised internally by the Company for the classroom (INTERNAL) and distance (FAD) and the subscription to external courses (EXTERNAL).

A large part of the activities took place internally within the Group (student days internal courses + distance learning: over 7,000 student days, 98% of the total).

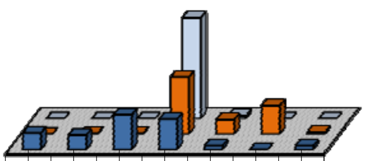
Graph 6 - Personnel Involved by Type of Initiative and Course Method

At 31/12/2012



	Mng	Sin	T-ass.	T-prof.	Info	Ling	Istituzionale
interno	36%	31%	14%	9%	4%	0%	6%
esterno	0%	0%	8%	72%	7%	14%	0%
FAD	0%	2%	1%	3%	2%	0%	93%

At 31/12/2011



	Mng	Sin	T-ass.	T-prof.	Info	Ling	Altro
interno	16%	14%	33%	29%	4%	0%	4%
esterno	0%	1%	1%	55%	14%	27%	2%
FAD	0%	0%	0%	97%	3%	0%	0%

Industrial Relations Policy

In 2012, in terms of industrial relations in Italy, the renewal of the CCNL (National Collective Bargaining Agreement) for non-managerial staff, which expired on December 31, 2009, was signed. The new contract, which concerns pay levels, was signed after extensive negotiations over nearly two years, which will conclude on 30/6/2013.

At internal level, the principal event was the extension until 31/12/2013, in its entirety, of the Supplementary Contract of the Fondiaria-Sai Group concluding on 31/12/2012. The bridge agreement was necessary to align the conclusion of the contract with that of the Unipol Assicurazioni Supplementary Contract, in view of the merger in 2013 between Fondiaria-Sai, Milano Assicurazioni and Unipol Assicurazioni.

We highlight also the signing of two agreements concerning funding from the Fondo Banche Assicurazioni (FBA) of two training plans for the updating, requalification and professional development of employees.

Employee disputes before the Courts in the year decreased slightly compared to previous years, which have in any case always been of a limited number.

At December 31, 2012, 41 cases were pending for Fondiaria-SAI S.p.A. (46 at 31/12/2011) and 30 for Milano Assicurazioni S.p.A. (unchanged on 31/12/2011).

Company Welfare

The industrial relations policies of Fondiaria-SAI and Milano Assicurazioni dedicate significant attention, within the supplementary contracts and the activities of the Companies, to improve the lifestyles of employees and their families, both during their period of employment and subsequently, through the financing of numerous institutes and initiatives.

Supplementary Pension

The possibility to supplement the obligatory pension may be achieved through subscription to the Employee Pension Fund of the Companies of the Fondiaria SAI Group, to which employees involved in the Supplementary Contract of the Fondiaria SAI Group may subscribe.

At 31/12/2012, the Pension Fund had 2,513 subscribers for Fondiaria-SAI, of which 7 ex-employees who voluntarily continued payments and 1,541 subscribers of Milano Assicurazioni, 5 of which ex-employees who voluntarily continued payments. The contributions paid in 2012, both by the Companies and the subscribers, amounted to approx. Euro 13 million for Fondiaria-SAI and approx. Euro 8 million for Milano Assicurazioni.

Through the Pension Fund website, available on the Company intranet, employees may consult their individual position. In particular, information concerning payments made, both of the individual employee and of the Company are available, the minimum guaranteed payments, the general regulations, the contract, the By-laws, the regulations, in addition to the procedures to be followed for subscription to the Fund or employee leaving indemnity, with the possibility to directly access the necessary forms.

In addition, the "Tailored Online Pension Programme" is available, a tool which enables the establishment of the pension gap (that is the difference between the income of the employee and subsequent pension income), according to the Pension Regulations which entered into force on January 1, 2012, and through which an estimate of the projected supplementary pension on maturation may be attained.

Supplementary Assistance

a) Healthcare Assistance

Supplementary healthcare services are guaranteed to employees through the insurance coverage signed by the Employee Assistance Fund of the Companies of the Fondiaria SAI Group, in which all employees of the Companies applying the ANIA National Contract and the Fondiaria SAI Group Supplementary Contract are involved, in addition to the individual policies that employees may undertake to supplement their insurance coverage.

At December 31, 2012, the Assistance Fund had 2,456 subscribers within Fondiaria-SAI and 1,469 subscribers within Milano Assicurazioni. Payments to the Fund in 2012 amounted to approx Euro 2.6 million for Fondiaria-SAI and Euro 1.5 million for Milano Assicurazioni.

The Healthcare Assistance plan, as governed by the above-stated contracts, extended also to co-habiting family members of employees.

In the second half of 2012, in order to improve the service to employees, a specific IT application was introduced called ASDIP, which allows employees to:

- directly update the data concerning the composition of their family, including or excluding members, according to the relevant contractual conditions;
- update, where necessary, the family income in order to make available, year by year, the correct set of collective guarantees under the National Agreement and the Supplementary Contract;
- communicate the changes in the family to the Employee Policies Offices, ensuring that the updates of the individual healthcare policies may be made in a timely manner, guaranteeing therefore continuity of the family members insured in the collective policies.

This instrument replaces the traditional paper form which in the past communicated the same data, enabling a constant and timely updating of information and providing an element of the project focused on modernising and streamlining the employee healthcare systems management process.

Services provided by the assistance fund to subscribers and their families principally regarded reimbursements for surgery, orthodontic care, specialised medical visits and diagnostic tests.

In 2012, on the collective policies signed by the Assistance Fund and on individual policies undertaken by employees, approx 18,000 claims of Fondiaria-SAI personnel were settled, for approx. Euro 3.5 million and approx. 10,000 Milano Assicurazioni personnel claims for approx. Euro 2.5 million.

b) Other services

In order to provide assistance and support to employees and their families in the case of accidents or serious invalidity following illness, the Companies directly guarantee the provision of indemnity for professional and extra-professional accidents and for permanent invalidity from sickness.

In 2012, compensation was paid out in 85 cases of accidents (professional and extra-professional) to Fondiaria-SAI employees for approx. Euro 1 million and 65 cases of accidents (professional and extra-professional) to Milano Assicurazioni employees for approx. Euro 0.8 million.

Employee policies

The company guarantees to employees a technical-underwriting consultancy service for the undertaking of personal motor policies, general class policies and life policies for themselves and for their co-habiting family members.

In order to provide a better service, from June 2012, the traditional system of sending policy maturity and instalment due notices through ordinary post was replaced, with the sending of a communication directly to the Company e-mail address of the employee/contracting party.

This service enables the timely notification of employees of the need to renew their insurance coverage.

Tax assistance

In 2012, the Fondiaria SAI Group continued to provide a service to employees also in relation to the completion of their tax forms, having established agreements with bodies offering tax assistance for the presentation of the 730 form, with costs undertaken by the Companies.

Employee Recreational Centres

Within Fondiaria-SAI and Milano Assicurazioni three Employee Recreational Centres are in operation, non-profit organisations which involve all employees and retired employees of the Companies of the Group, Agents and their dependents.

Their objective is to contribute to the improved conditions of members through the promotion of cultural, sporting, touristic and recreational initiatives in line with the democratic principles of the organisation. Particular attention was dedicated to initiatives for senior citizens.

The Employee Recreational Centres focused on the needs of the individual local areas in order to enable members equal opportunities to participate wherever they may live. Activities cover a range of activities, from sporting to cultural and to travel. The cultural initiatives are most in demand at the local centres.

Membership of the ERC’s is open to employees and retirees of the companies of the Fondiaria SAI Group and of Associated Companies of the group, to agents of the Group and their dependents. Subscription is open to family members, in line with that provided by the By-laws.

The Florence Fondiaria-SAI ERC created the Gruppi Seniores (Seniors Groups), open to those that have at least 10 years of service, with scheduling of specific initiatives for older personnel and which seeks to sign up deserving persons. Subscription is voluntary, freely expressed on signing up to the ERC and annually on membership renewal.

At 31/12/2012 the Fondiaria-SAI Group Turin ERC had 1,500 members, including 136 retired and honorary members, the Fondiaria-SAI ERC based in Florence numbered 1,900 members, including 546 retired and Honorary members, the Milano Assicurazioni ERC numbered approximately 1,000 members, including 155 retirees and the SASA Assicurazioni ERC based in Trieste numbered approx. 160 members.

GRUPPO ANZIANI SAI (SAI Retirees Group)

Within the Fondiaria-SAI Group, under a long-standing tradition, the Gruppo Anziani SAI involves serving employees and ex-employees, hired before 31/12/2002, who have matured at least 25 years of service in SAI.

The mission of the Association is:

- promotion and development of solidarity between long-serving employees who are an example to and can inspire younger employees:
- moral and material support, in relation to the capacity of the Association, to members who find themselves in economic difficulty or in situations of particular need;
- promotion, with the assistance of the Company, of initiatives which create material, moral and recreational value:
- the study of situations, the introduction and development of proposals which promote the reaching of the social objectives.

At 31/12/2012 the Gruppo Anziani SAI numbered approx. 1,800 members, of which 359 serving SAI employees

Sustainable Mobility: the Mobility Manager

Within the initiatives targeting an improvement in the work/life balance of employees in general and of particular categories in particular (consideration need only be taken of the various contractual possibilities such as a change from full-time to part-time work, the introduction of flexible hours or Company initiatives - the awarding of study grants or grants for holidays), the appointment in February 2012 of the Fondiaria-SAI Mobility Manager took place.

In Italy sustainable mobility was introduced with the Inter-Ministerial Decree "Sustainable Mobility in Urban Areas" of March 27 1998, which enacted the directives of the Kyoto Protocol on Climate Change (renewed until 2020 at the UN Conference at Doha).

The Mobility Manager position is established for Companies with overall more than 800 employees located in municipalities considered at risk of atmospheric pollution and has the duty to optimise the systematic travelling of employees through the adoption of a home-work travel plan, so as to ensure the limitation of usage of private vehicles, favouring alternative solutions in order to reduce the environmental impact.

As part of his remit, in April 2012, the Mobility Manager organised a survey in the Turin offices in order to verify a number of aspects concerning the home/work movements of employees (including their office location and the most commonly used route). At the same time, contacts with the municipal structures and with the local transport Companies commenced, in order to promote agreements for the use of public transport and/or encourage shared and sustainable forms of transport.

In this regard, at the Turin offices of Fondiaria-SAI a shuttle service is in operation, for the transport of persons and items between the offices of Corso G. Galilei, Via Cavour, Corso Trapani, Corso Matteotti, Corso Vittorio Emanuele II and Corso Palermo. In 2012, more than 4,000 journeys were carried out.

For the Milan headquarters the shuttle service, available to all employees, linked the MM3 Comasina Metro Station with the Via Senigallia offices, in the morning and in the afternoon in line with the beginning and ending of office hours.

The awareness activities directed at employees in relation to the use of video conferencing and conference call equipment continued, in order to significantly reduce such journeys for meetings between the various offices.

Workplace Health and Safety

The provisions for the application of regulations relating to workplace health and safety have been efficiently implemented by the Fondiaria-SAI Group.

It is important to highlight that the protection of employee health and safety complies not only with regulatory obligations but also with contractual obligations.

In fact, a variety of different services of a medical/healthcare nature are carried out, including eye and audiometric examinations and other interventions for both male and female employees, including check-ups, flu vaccinations etc.

With regard to compliance with the requirements of Legislative Decree 81/2008 all supporting documents have been made available, Employee Safety Agencies have been established, while, with regard to the management of emergencies, personnel have been assigned to fire-prevention, first aid and assisting disabled persons teams. The training/continuing education of the afore-mentioned personnel involved approx. 700 employees.

The efficiency of these teams is periodically verified with specific trial runs that involve entire facilities and hundreds of employees. The worksite inspections are carried out periodically by the Physicians along with the Prevention and Protection Service and the RLS.

In these circumstances, special attention is paid to fire-prevention and emergency aid safeguards, the layout of work environments and ergonomic elements, and if required, as in the case of noise or air quality, specific instrumental inspections are provided for. In certain offices, especially Turin, the provision of extraordinary maintenance, which will allow for significant improvements in terms of workplace safety and environmental comfort, have continued.

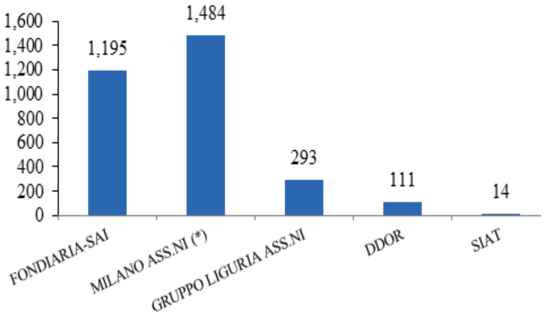
Another aspect, relating to prevention, relates to the ongoing activities of employee training and information which are carried out through both classroom computer training days and independent learning programs that are made available through the Intranet. From 2010 a new training and information programme has been operational, in the form of e-learning, with final tests, which involved all Group employees.

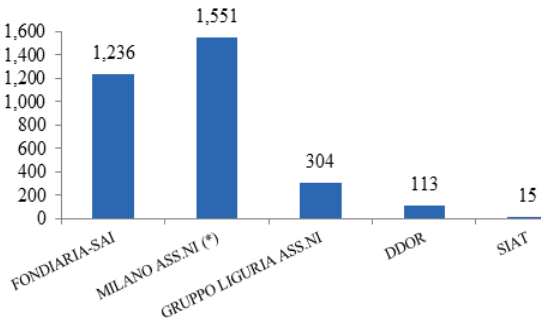
AGENTS

In 2012, premiums were mainly produced by 3,097 agencies operating through 2,459 points of sale and representing the traditional sales channels.
Specifically, the distribution structure includes 1,195 single-mandate and multi-mandate agencies of the Parent Company (1,236 at 31/12/2011), as well as a further 1,902 agencies that collaborate with the other Group companies.
The agencies who signed up to the distribution mandate with Finitalia number 2,682 at the end of 2012 compared to 2,559 in 2011.
The BancaSAI network in total includes 151 financial promoters, following the restructuring of the sales networks begun in June 2008.
5 BancaSai branches are also operational: two in Turin, one in Milan, one in Genoa and one in Florence.

At 31/12/2011

At 31/12/2012





(*) including SASA and SASA Vita

The principal activities carried out to support the company distribution networks, with either direct or indirect relevance from a social viewpoint, are listed below.

Network agency training

Training has always been considered by the Fondiaria SAI Group as a fundamental instrument to effectively guide and direct the sales network. During the year, the training offer was further extended through a number of courses designed to respond to the needs of all the employees within the agency network.

In 2012, after six years the "Gate Formazione" project concluded, which addressed the entire sales network, broken down into modules for agents, sub-agents, sales personnel and front office personnel.

In addition, from September 2012 Fondiaria-SAI and Milano Assicurazioni introduced the Accademia programme, a new offer for Professional up-skilling. Broken down into five different areas (Human Resources, Operations/Organisation, Legal, Marketing & Sales, Technical), Accademia permits agents to choose the most suitable course to satisfy their training needs and that of their employees.

The modules of each course are designed with a dual objective: ensure immediate applicability of that learned at the agency and further develop the brokerage capacity of persons involved in serving client’s needs and in a manner in line with the development objectives of the Company.

The themes covered during the courses are broken down based on the role of the participants:

- technical, product and markets-related themes;
- commercial, sales technique, marketing, and client loyalty tools;
- matters concerning conduct and client relations, for a more transparent and efficient communication with clients;
- managerial matters, related also to the conduct of employees;
- legal and regulatory matters which impact brokerage activity.

In order to promote the professional development of agency staff, in addition to the Accademia courses, the Group established the following initiatives:

- the Expert project, a course which involves a Group of Sub-agents (approx. 15 for each course), alternating classroom sessions and activities in an agency. The course is undertaken over a number of months and seeks to develop the professional attributes of high potential personnel, with a view to their increased involvement in the agency network;

- a course entirely dedicated to recently hired agents, with a duration of 5 consecutive days, which focuses on all of the activities related to their new role and with the company departments they will deal with most.

Through a monitoring carried out on the ground and meetings with the representatives of agents, training requirements are periodically assessed. Thereafter the modules are designed by the Company or directly in the agency by Agents for their employees.

The educational material prepared for these courses is accompanied by multimedia supports, in order to assist Agents during the teaching and to facilitate the learning process.

During 2012, we highlight for example:

- training on new issues in the regulatory/tax fields, with the designing of courses concerning the Fornero Reform, to expand knowledge on the changes introduced to the pension system and to support employees of the agency networks in client consultancy concerning supplementary pensions. In addition, training was provided to update Agents on the principal regulatory amendments in the year;
- the introduction of the “Big Game Infortuni” course, drawn up in collaboration with a specialist Company in the sector and with the involvement of the majority of Agents. The content concerns regulatory issues and product and commercial techniques: Study of the accident guarantees already protected within the various professional categories, highlighting the level of guaranteed coverage and areas not covered through suitable insurance solutions;
- the creation of the “Agency Administrative Processes” course, designed and held directly by colleagues of the Administration Department, which examines regulatory and administrative aspects related to the daily management of the sales points in compliance with applicable regulations.

The teaching of part of the courses is carried out by Insurance Company personnel (technicians, sales staff and Technical assistance), while external consultants are utilised for some specialist training materials and the development of specific projects which may not be developed internally.

Some issues were handled through e-learning, which enables for fully independent training. The multimedia training modules, published on the company platfrom, facilitate quick and efficient training of all the agency network.

As established by the IVASS provisions, for the majority of the courses a declaration of training is awarded following the passing of a final examination, testament to the annual professional updating.

In 2012, a significant commitment was made to training, as outlined in the following table:

Table 7 – 2012 Agency Network Training

	Courses provided			*Classroom attendance*			*E-learning*
	by the Company	by Agents	TOTAL EDITIONS	in classroom provided by the Company	in classroom provided by Agents	TOTAL ATTENDANCES	TOTAL ATTENDENCES
Fondiaria-SAI	1,749	7,066	**8,815**	21,625	41,186	**62,811**	**28,267**
Milano Assicurazioni	1,978	5,514	**7,492**	16,764	28,798	**45,562**	**15,547**

CUSTOMERS

The Client-Policy ratio

An index of particular importance for the Group is the "cross-selling rate" or the ratio between the number of policies subscribed to and the number of Clients. The index represents, both for the segment and the total Client base (corporate and retail), a loyalty index, as the turnover of the Policyholders is greatest when "insurance consumption" is low.

Greater satisfaction and loyalty of the Clients translates into the increased possibility of cross-selling. If a Client is satisfied with their policy, they are more likely to subscribe to further coverage, in this way awarding the company. An inverse correlation between the level of satisfaction of the Client and the rate of erosion exists, while a direct correlation between the cross-selling index and profitability exists.

The cross-selling rate for the listed companies of the Group highlights an increase in the number of corporate policies by Fondiaria-SAI clients (3.4 at 31/12/2012, 3.8 at 31/12/2011), with the cross-selling rate by Retail Clients remaining stable - as reported below.

Cross-selling rates

	2012		**2011**	
	Fondiaria-SAI	**Milano Assicurazioni**	**Fondiaria-SAI**	**Milano Assicurazioni**
CORPORATE				
No. of Clients	151.657	173.895	175.589	191.766
No. of policies	519.149	332.140	669.837	349.733
No. of policies per Clients	3,4	1,9	3,8	1,8
RETAIL				
No. of Clients	3.768.326	3.030.136	4.003.896	3.227.147
No. of policies	6.073.605	4.592.929	6.416.934	4.884.120
No. of policies per Clients	1,6	1,5	1,6	1,5

COLLECTIVITY

Corporate Social Responsibility

The Commission for Legal Affairs and the Commission for Employment and for Social Affairs of the European Parliament approved the introduction a policy of strict cooperation in order to ensure a consistent approach in relation to the position of the Parliament on the updated strategy of the European Union for the period 2011-14 "in relation to corporate social responsibility (CSR)".

Therefore, on January 28, 2013 a proposal concerning transparent and responsible commercial conduct and sustainable growth for European Enterprises was presented. It was highlighted that the current global economic crisis was a result of serious errors in relation to transparency, reporting and responsibility and therefore the European Union has a duty to guarantee that everybody learns from the past. Therefore, the CSR policy, if introduced correctly and practiced by all enterprises, irrespective of their size, will contribute considerably to restoring lost trust - a necessary aspect for sustainable economic recovery - mitigating the social consequences of the economic crisis.

With this new strategy, the European Commission proposes a new definition for CSR as "the responsibility of enterprises for their impact on society". It is noted that the European Commission previously defined CSR as "the voluntary integration of social and ecological concerns of Companies in their commercial operations and in their relations with the interested parties".

When enterprises undertake a responsibility with society, the environment and employees, an advantageous situation for all is created, which widens the base of trust necessary for economic success: incorporating CSR into a sustainable corporate strategy is therefore in the interest of enterprises and of society as a whole.

In line with the new definition, enterprises therefore must undertake a process which integrates social, environmental and ethical, human rights and consumer issues in their basic commercial strategy. The objective of this process is to create a shared value between owners/shareholders, other interest holders and society in general, in order to identify, prevent and mitigate possible adverse effects from Company operations.

For example purposes, details of the principal initiatives undertaken by the Fondiaria-SAI Group in 2012 are reported below.

Fondiaria Sai Foundation

In 2004, the Fondiaria SAI Insurance Group created the Foundation of the same name in order to support humanitarian projects. Projects which look towards the world.

The capacity to create synergies with the Institutions and the choice of strong partners has enabled the foundation projects to grow exponentially and to extend into other sectors of intervention. This commitment translates into small or large scale projects which make a difference. Each year, the Organisation works on many fronts: managing the projects in course and undertaking new challenges. The projects, including those undertaken in partnership, seek to improve life conditions for people and encourage economic development.

In 2012, the Foundation carried out work in Afghanistan, Ethiopia, Haiti, India, Italy, Kenya, and Nigeria. Many projects have entered into their second phase, testament therefore to the success of the chosen model and the initiatives introduced. The projects concern many areas of intervention: instruction, training and assistance. This manner of running a Foundation is recognised and appreciated by others involved in the non-profit world. Also in 2012 important partnerships took place. With a view to continuity, it was considered strategic to introduce a three-year plan.

Also in the year, we highlight the web magazine “WOMEN to be” which, for the second year, published articles by young Afghan journalists – involved in the Women Journalists Project - and involves contributions from important names in the journalistic and institutional world (Emma Bonino - Vice President of the Senate, Giulio Terzi - Ministry of Foreign Affairs, Nicoletta Bombardiere - Head of Unit for Afghanistan, General Affairs Directorate of the Ministry of Foreign Affairs, Ferruccio de Bortoli – MD of Corriere della Sera, Ettore Mo - journalist and correspondent of Corriere della Sera, Khaled Hosseini – famed international writer, Jawad Joya - Economic Anthropologist and Afghan political analyst and Gianni Oliva - student of the ‘900 and writer).

For further details on the Foundation, reference should be made to the websites: www.fondazionefondiariasai.it - www.womentobe.org.

Sponsorship and Donations

The support plan of the Fondiaria SAI Group for 2012 focused on, although with a reduced budget, the particular needs of the regions in which it operates.

In the sporting field, Fondiaria-SAI reconfirmed, among others, the support for the historic Milan Football Association Masseroni Marchese, created in 1948 in order to encourage sport as an important instrument in the training of young persons, through competitive and non-competitive team involvement.

Despite the financial crisis, and as testament to the commitment to the world of culture in a moment in which a critical phase in the economic cycle was being endured, in 2012 the cultural commitment of Fondiaria-SAI remained strong.

The company has also sponsored and supported Turin’s cinema museum (Museo del Cinema di Torino) in its capacity of Founding Member.

The Fondiaria-SAI Group supported FAI – Fondo per l’Ambiente Italiano (Italian Environmental Fund), the main Italian non-profit foundation for the protection, safeguarding and preservation of the artistic and natural heritage of our country.

In 2012 Fondiaria-SAI signed up to the “I 200 del FAI” project.

CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT PURSUANT TO ARTICLE 123-BIS OF LEGS. DECREE NO. 58 OF 24 FEBRUARY 1998

The information required by Article 123-bis of Legislative Decree No. 58 of February 24, 1998, amended by Article 5 of Legislative Decree No. 173 of November 3, 2008, is reported in the Annual Corporate Governance Report, approved by the Board of Directors and published together with the Director’s Report, in accordance with Article 89-bis of the Regulation adopted by CONSOB through Resolution No. 11971 of May 14, 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 Company’s website (www.premafin.it), under the heading Corporate Governance – subheading Code of Conduct – Annual Reports.

SIGNIFICANT EVENTS AFTER THE YEAR-END

IVASS Authorisation procedure of the Merger

On 15 January 2013, IVASS, in response to the application drawn up jointly by Premafin, Fondiaria-SAI, Unipol Assicurazioni and Milano Assicurazioni on December 28, 2012 in order 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 December 28, 2012. The deadline fixed for the procedure was 120 days from commencement, excluding suspension.

On February 21, 2013, IVASS, in relation to the merger application, requested from the Companies involved documentation and additional information and therefore communicated the suspension of the deadline for the authorisation procedure.

IM.CO. Bankruptcy

In relation to IM.CO.'s bankruptcy proceedings, on 23 January 2013 the Company opposed, pursuant to Article 98 of Royal Decree 267 of 16 March 1942, the statement of liabilities, in consideration of the fact that the Bankruptcy Judge, in the decree dated 28 November 2012, had declared the statement effective, and had rejected Premafin's claims in relation to sureties for contingent liabilities/charges arising on the promise of sale to third parties of sites in the municipality of Milan.

Filing of the merger proposal into Fondiaria-SAI of Unipol Assicurazioni, Premafin and possibly Milano Assicurazioni

On January 28, 2013, in accordance with Article 2501 quarter, first paragraph of the Civil Code, the merger by incorporation proposal of Fondiaria-SAI S.p.A, Premafin Finanziaria S.p.A. - Holding di Partecipazioni, Unipol Assicurazioni S.pA., and, pending further approval, Milano Assicurazioni S.p.A., approved by the Board of Directors of the participating Companies in the merger on December 20, 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.

The registration of the merger proposal at the Competent Company Registration offices is subjected to the authorisation of IVASS, in accordance with Article 201 of Legislative Decree No. 209 of September 7, 2005.

Increase in the share capital of subsidiary Finadin

On 11 February 2013, the shareholders of Premafin and SAIFIN - Saifinanziaria S.p.A. subscribed to and paid for the Finadin options share capital issue of Euro 25.0 million that had been approved by the latter's Board of Directors on 7 November 2011 in execution of the proxy delegated to it by the extraordinary shareholders' meeting of 19 February 2008. Premafin, a 60% shareholder of Finadin, subscribed to and paid for its respective portion of the share capital increase, amounting to Euro 15 million, by means of a voluntary offset against the principal amounts due to it on the interest bearing shareholder loan that had been advanced to the subsidiary on 8 July 2011.

Castello Area: full quashing of the judgment and release from seizure of the area

The Florence Court on March 6, 2013 fully acquitted Fondiaria-SAI (as the facts were not proven) of all charges in the investigation concerning the urbanisation of the Castello Area (Florence).

In this regard it is recalled that the Company was cited in an investigation begun in 2008 by the Public Prosecutor's office of Florence in relation to the offense of corruption.
Pursuant to Article 5 and 25 of Legislative Decree 231 of 2001, the Company was accused of the offences referred to in Articles 319 and 321 of the Criminal Code, which punishes offenses relating to bribery of public officials.

The prosecution's argument sustained that Fondiaria-SAI, through its representatives, had bribed two public officials in order to obtain, in its favour, "actions that went against official duties".

The two State Prosecutors that supported their accusations in Court asked that the Company be ordered to pay a pecuniary fine of 400 shares with value ranging from a minimum of about Euro 250 to a maximum of Euro 1,549. They also requested that the Company be banned from contracting with public administration over the next two years and that the plots within the Castello Area for which building permits had been issued, be confiscated.

The Court sentenced the former Municipal Councillor implicated to one year (suspended sentence) for abuse of office and acquitted Fondiaria-SAI of two charges.

The Court also granted the release from seizure and the restitution of the Castello Area. The Company legal representatives will pursue the execution of the release from seizure by the legal police which occurred in November 2008.

The reasons for the Judgment which, obviously, may be heard before the Florence Appeal Court, will be filed within 90 days.

Ordinary Shareholders' Meeting concerning the Corporate Responsibility Action Proposal in accordance with Articles 2392 and 2393 of the Civil Code

On 14 March 2013, the shareholders' meeting of Fondiaria-SAI approved with the majority of votes, the "yes" vote of the Company and that of subsidiary Finadin, a liability action, pursuant to Articles 2392 and 2393 of the Civil Code, against certain directors and "sindaci" of Fondiaria-SAI, in conjuction with others. The liability action had been recommended by the *Commissario ad acta,* Prof. Matteo Caratozzolo who had been nominated by ISVAP in accordance with Article 229 of Legislative Decree 209 of 7/11/2005, on 12 September 2012.

Similarly, the ordinary Shareholders' Meeting of Milano Assicurazioni that was also called upon the request of Fondiaria-SAI's *Commissario ad acta,* and the second call of which was held on 14 March, resolved with the majority of votes, representing 99.79% of the ordinary share capital represented at the Meeting, in favour of a liability action against the persons identifed in the report that was prepared by the *Commissario ad acta* and made public as required by law.

In this regard IVASS, previously ISVAP, with decision of the Board of the Bank of Italy and provision No. 32-13-96 of January 29, 2013, heard the request for the extension of office by the ad acta Representative Mr. Matteo Caratozzolo, granting a further 45 days, following on from the original conclusion of the appointment scheduled for January 31, 2013 (as defined by ISVAP Provision No. 3001 of September 12 2012), to extend the analysis work and commence compensatory actions and initiatives, also of a legal nature, in relation to the parties involved in the previous management of transactions with related parties which resulted in damage to the Insurance Group.

During the course of these activities, the ad acta representative experienced a number of operational difficulties which affected the carrying out of the essential verifications to fulfil the assignment and therefore required additional time to carry out the duties assigned.

Florence Court of Appeal: compensation applications rejected

On March 18, 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.

Financing by parent company UGF

In March 2013, Premafin entered into an interest bearing shareholder loan agreement with UGF for amounts up to a maximum of Euro 13.5 million. The loan can be utilised in one or more tranches during the financial year, to meet ordinary financial needs related to operating costs of the Company and commitments with banks.

The newly-obtained availability of the Parent Company to financially support the Company, pending the completion of the planned Merger, (the timing of which cannot currently be ascertained with precision), and with the aim of prudently safeguarding the business' going concern, will enable the Company to meet any ordinary financial needs that might exceed its liquidity during the year. This will be achieved through access to a flexible financing instrument, that is compatible with the obligations taken upon entering into the Debt Restructuring Agreement.

CONSOB Note 13032791 of 17 April 2013

The Board of Directors of Premafin, at a meeting held on 21 March 2013, approved the financial statements and consolidated financial statements as at 31 December 2012, that together with the other documents required by Article 154-ter, paragraph 1, of Legislative Decree 58 of 24 February 1998 of the Consolidated Finance Act (TUF), were published on 8 April 2013, as prescribed by applicable prevailing legislation.

For information purposes, the observations contained in Consob Resolution 18431 dated 21 December 2012 and the related information that was disclosed to the public in the press release dated 27 December 2012, and included within the same document, have been taken into consideration in preparing such docuemnt.

The section "Other Information" of this Report, contains the full text of the press release that the Company published on 27 December 2012, and which includes the additional disclosure required pursuant to Article 154-ter, paragraph 7, of the TUF in relation to the 2011 Consolidated Financial Statements and the 2010 Consolidated Financial Statements.

As stated in the above-mentioned communication, Premafin does not concur with the decision that its financial statements at 31 December 2011 had not been properly prepared, because inter alia, Fondiaria-SAI considered the adjustment to Motor TPL claims reserves made in 2011 to be attributable to a change in acounting estimate and not, as sustained by CONSOB, to the correction of an error, in the same manner:

- as confirmed by the audit firm Reconta Ernst & Young S.p.A., that in its report dated 31 March 2012, stated that Fondiaria-SAI's consolidated financial statements at 31 December 2011 complied with International Financial Reporting Standards as adopted by the European Union and with the regulation issued to implement Article 90 of Legislative Decree 209 of 2005, and that they had been properly prepared and gave a true and fair view of the financial position, the results and the cash flows of FonSAI Group for the year ended on that date;
- as supported by expert opinions given by professionals of the highest standing.

Accordingly, in view of the lack of any qualification by part of Fondiaria-SAI to the effect that any part of the adjustment made was to correct an underestimation of claims reserves in the 2010 financial statements, Premafin was bound to adopt the mentioned Fondiaria-SAI's assessments as its own. Subsequent to the filing of the documentation from the meeting, CONSOB, in its Note 13032791 dated 17 April 2013 ordered the Company to publish, without delay and by 29 April 2013, a press release to disclose the reasons why the Company's Board of Directors, in drawing up the consolidated financial statements that were approved on the last 21st of March, decided not to apply the provisions of international accounting standard IAS 8 to the comparative figures relating to the 2011 consolidated financial statements, in order to correct the errors identified by the cited resolution 18431 of 21/12/2012.

That said and having regard to:

- CONSOB's position on the matter;
- the abovementioned CONSOB resolution, that required that "*furthermore, the declaration of non-compliance and the supplementary information mentioned above must be supplied together with the 2012 annual financial statements, as well as with any other documents that are made available to the public and that report accounting information in relation to Premafin balances as at 31 December 2011*";
- the position taken by subsidiary Fondiaria-SAI on the matter;
- the new information subsequently provided by subsidiary Fondiaria-SAI upon amending its consolidated financial statements that were approved on last 20th of March;

the Board of Directors of Premafin, in order to conform with CONSOB's requirements, has considered it appropriate, similar to its subsidiary, to amend its consolidated financial statements that had been approved on the last 21st of March, by including, where applicable, in the management report on the consolidated operations, in the financial statement schedules and in the explanatory notes, the above mentioned comparative information for 2011 (consistent with the information already published on the last 27th of December). The 2011 comparatives were restated in the manner described in the section "Additional information presented in the financial statements and in the explanatory notes in relation to the 2011 comparative figures".

It is hereby re-iterated that balance sheet and income statement figures for the 2012 financial year remain unchanged, as the restatement of 2011 data has no impact on these figures.

BUSINESS GOING CONCERN

On 19 July 2012, in implementing the Investment Agreement, UGF completed the increase in share capital of Premafin that had been approved by the extraordinary shareholders meeting of 12 June 2012 and that was reserved to UGF by subscribing to and fully paying for 1,741,239,877 newly-issued unlisted ordinary shares for a total amount of Euro 339,541,776.02

Upon this acquisition, UGF became the controlling shareholder of Premafin with a holding of approximately 81% of its share capital, and, pursuant to the Investment Agreement, also provided Premafin with the financial resources to enable it, and its subsidiary Finadin, to subscribe to their respective proportions of the share option issue amounting to Euro 1,100.0 million that had been resolved upon by the shareholders' meeting of Fondiaria-SAI on 19 March 2012,and subsequently confirmed on 27 June 2012.

At the same time of the abovementioned acquisition, Phase I of the Debt Restructuring Agreement, entered into by the Company and lending banks on 13 June 2012, came into force, in accordance with the provisions of the Recovery Plan. The plan was drawn pursuant to Article 67 of the Bankruptcy Law, was approved by the Company on 30 March 2012 and hinged on the merger between Premafin group, Fondiaria-SAI and UGF.

On 14 November 2012, UGF resolved on the commencement of the management and co-ordination activities in relation to Premafin, its subsidiary Fondiaria-SAI and to all the companies that are managed and coordinated by these companies, as well as on the introduction of Premafin and its subsidiary International Strategy S.r.l. in the Unipol insurance group.

Lastly, in March 2013, through a shareholder loan agreement for amounts up to a maximum of Euro 13.5 million, UGF has provided Premafin, ahead of the completion of the planned Merger, with a flexible financing instrument in order to help meet the ordinary financial needs that might arise during the current financial year.

The above events have resulted in the elimination of uncertainities relating to the going concern assumption at the Company, that had been emphasised in the previous year financial statements.

OUTLOOK

Between September and November 2012, new Boards of Directors for Premafin, Fondiaria-SAI and Milano Assicurazioni were appointed, in a way as to reflect UGF as the controlling shareholder.

Management will focus on consolidating the work performed to date on the integration project, in accordance with that outlined to the market, towards a conclusion of the merger operations between the companies Premafin, Fondiaria-SAI, Milano Assicurazioni and Unipol Assicurazioni, which represent a vital step for the restructuring and simplification of the Group, in order to fully draw on the synergies identified and to create value from productivity efficiencies and financial management optimisation.

The integration project between the Unipol Group and Premafin Group is part of the strategic goal to focus on the Non-Life insurance business. In particular the actions previously taken by the Unipol Group will be considered also for the Premafin Group, concerning the insurance portfolio reform operations, the restructuring actions on the sales network and the sharing of best practice policies in relation to the technical-specialist capacities developed by the two Groups in the differing market sectors and in the various distribution channels.

In relation to the Life business, a strengthening of both the commercial offer and the sales network will be evaluated.

The integration project will take into account the guidelines within the 2013-2015 Industrial Plan, recently presented to the market and will naturally incorporate the commitments undertaken with the Anti-Trust Authority.

The merger will create a leader in the Italian insurance market, first in the Non-Life and Motor TPL sectors with a client base of 14 million and the most extensive agency network in Italy.

The new entity will be among the top ten insurance groups in Europe. This is certainly an ambitious but achievable target, deserving of the coming together of the best qualities of two of the principal Italian insurance traditions.

Bologna, April 24, 2013

For the Board of Directors

The Chairman

MR. ROBERTO GIAY

PREMAFIN FINANZIARIA S.p.A.

Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENT AT 31 DECEMBER 2012

PREMAFIN FINANZIARIA S.p.A.

Holding di Partecipazioni

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012
(Values in Thousands of Euro)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS		2012	2011 IAS 8 restated	2011
1	**INTANGIBLE ASSETS**	**1,214,941**	**1,517,604**	**1,517,604**
1.1	Goodwill	1,156,425	1,422,447	1,422,447
1.2	Other intangible assets	58,516	95,157	95,157
2	**PROPERTY, PLANT AND EQUIPMENT**	**376,580**	**405,349**	**405,349**
2.1	Property	307,532	318,928	318,928
2.2	Other tangible assets	69,048	86,421	86,421
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**807,304**	**701,880**	**701,880**
4	**INVESTMENTS**	**33,883,422**	**33,817,046**	**33,817,046**
4.1	Investment property	2,216,422	2,776,452	2,776,452
4.2	Investments in subsidiaries, associates and joint ventures	126,016	116,795	116,795
4.3	Investments held to maturity	718,119	599,713	599,713
4.4	Loans and receivables	3,527,030	3,688,865	3,688,865
4.5	Available-for-sale financial assets	20,856,516	17,608,557	17,608,557
4.6	Financial assets at fair value through profit or loss	6,439,319	9,026,664	9,026,664
5	**OTHER RECEIVABLES**	**2,092,515**	**2,349,186**	**2,349,186**
5.1	Receivables arising out of direct insurance operations	1,322,826	1,698,430	1,698,430
5.2	Receivables arising out of reinsurance operations	64,750	78,637	78,637
5.3	Other receivables	704,939	572,119	572,119
6	**OTHER ASSETS**	**1,534,664**	**1,803,838**	**1,803,838**
6.1	Non-current assets or disposal group classified as held-for-sale	3,335	87,151	87,151
6.2	Deferred acquisition costs	52,250	30,301	30,301
6.3	Deferred tax assets	954,433	1,155,062	1,155,062
6.4	Current tax assets	299,535	316,587	316,587
6.5	Other assets	225,111	214,737	214,737
7	**CASH AND CASH EQUIVALENTS**	**569,817**	**1,004,105**	**1,004,105**
	TOTAL ASSETS	**40,479,243**	**41,599,008**	**41,599,008**

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012
(Values in Thousands of Euro)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

EQUITY AND LIABILITIES		2012	2011 IAS 8 restated	2011
1	**EQUITY**	**2,395,681**	**1,274,415**	**1,274,415**
1.1	**attributable to the owners of the parent**	**187,556**	**(32,065)**	**(32,065)**
1.1.1	Share capital	480,983	410,340	410,340
1.1.3	Capital reserves	(2,352)	21	21
1.1.4	Retained earnings and other reserves	(17,450)	(74,827)	664
1.1.5	(Own shares)	(43,183)	(43,183)	(43,183)
1.1.6	Reserve for currency translation differences	(17,485)	(14,985)	(14,985)
1.1.7	Gains or losses on available-for-sale financial assets	68,246	(127,658)	(127,658)
1.1.8	Other gains or losses recognized directly in equity	2,404	6,332	6,332
1.1.9	Profit (loss) for the period/year attributable to the owners of the parent	(283,607)	(188,105)	(263,596)
1.2	**attributable to non-controlling interests**	**2,208,125**	**1,306,480**	**1,306,480**
1.2.1	Share capital and reserves	2,658,064	2,416,683	2,680,192
1.2.2	Gains or losses recognized directly in equity	148,642	(600,208)	(600,208)
1.2.3	Profit (loss) for the period/year attributable to non-controlling interests	(598,581)	(509,995)	(773,504)
2	**PROVISIONS**	**323,582**	**337,122**	**337,122**
3	**TECHNICAL PROVISIONS**	**33,657,899**	**35,107,505**	**35,107,505**
4	**FINANCIAL LIABILITIES**	**2,716,785**	**3,527,671**	**3,527,671**
4.1	Financial liabilities at fair value through profit or loss	569,747	1,349,506	1,349,506
4.2	Other financial liabilities	2,147,038	2,178,165	2,178,165
5	**PAYABLES**	**769,897**	**795,951**	**795,951**
5.1	Payables arising out of direct insurance operations	96,388	78,999	78,999
5.2	Payables arising out of reinsurance operations	67,876	84,912	84,912
5.3	Other payables	605,633	632,040	632,040
6	**OTHER LIABILITIES**	**615,399**	**556,344**	**556,344**
6.1	Liabilities of a disposal group held for sale	-	-	-
6.2	Deferred tax liabilities	178,189	133,452	133,452
6.3	Current tax liabilities	56,961	18,147	18,147
6.4	Other liabilities	380,249	404,745	404,745
	TOTAL EQUITY AND LIABILITIES	**40,479,243**	**41,599,008**	**41,599,008**

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012
(Values in Thousands of Euro)

CONSOLIDATED INCOME STATEMENT		**2012**	**2011 IAS 8 restated**	**2011**
1.1	Net premiums	9,967,235	10,527,344	10,527,344
1.1.1	*Gross premiums*	*10,277,167*	*10,850,258*	*10,850,258*
1.1.2	*Reinsurance premiums*	*(309,932)*	*(322,914)*	*(322,914)*
1.2	Fee and commission income	15,423	24,433	24,433
1.3	Gains and losses on financial instruments at fair value through profit or loss	544,571	304,043	304,043
1.4	Income from investments in subsidiaries, associates and joint ventures	641	1,872	1,872
1.5	Income from other financial instruments and investment property	1,181,541	1,192,109	1,192,109
1.5.1	*Interest income*	*823,936*	*828,565*	*828,565*
1.5.2	*Other income*	*138,408*	*150,680*	*150,680*
1.5.3	*Realized gains*	*210,914*	*212,559*	*212,559*
1.5.4	*Unrealized gains*	*8,283*	*305*	*305*
1.6	Other income	501,893	666,721	666,721
1	**TOTAL REVENUES**	**12,211,304**	**12,716,522**	**12,716,522**
2.1	Net insurance claims	(9,357,554)	(9,723,770)	(10,240,770)
2.1.2	*Amounts paid and changes in technical provisions*	*(9,660,029)*	*(9,889,857)*	*(10,406,857)*
2.1.3	*Reinsurers' share*	*302,475*	*166,087*	*166,087*
2.2	Fee and commission expense	(7,361)	(15,855)	(15,855)
2.3	Losses on investments in subsidiaries, associates and joint ventures	(15,235)	(7,114)	(7,114)
2.4	Charges from other financial instruments and property	(859,092)	(977,508)	(977,508)
2.4.1	*Interest expenses*	*(80,037)*	*(90,584)*	*(90,584)*
2.4.2	*Other expenses*	*(73,113)*	*(69,277)*	*(69,277)*
2.4.3	*Realized losses*	*(147,522)*	*(142,293)*	*(142,293)*
2.4.4	*Changes in fair values*	*(558,420)*	*(675,354)*	*(675,354)*
2.5	Management expenses	(1,707,339)	(1,887,042)	(1,887,042)
2.5.1	*Commissions and other acquisition costs*	*(1,248,751)*	*(1,406,623)*	*(1,406,623)*
2.5.2	*Investment management expenses*	*(16,092)*	*(16,437)*	*(16,437)*
2.5.3	*Other administration expenses*	*(442,496)*	*(463,982)*	*(463,982)*
2.6	Other costs	(1,277,957)	(1,047,250)	(1,047,250)
2	**TOTAL COSTS AND EXPENSES**	**(13,224,538)**	**(13,658,539)**	**(14,175,539)**
	NET PROFIT (LOSS) BEFORE TAX	**(1,013,234)**	**(942,017)**	**(1,459,017)**
3	**TAX**	**129,221**	**213,067**	**391,067**
	NET PROFIT (LOSS)	**(884,013)**	**(728,950)**	**(1,067,950)**
4	**NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**1,825**	**30,850**	**30,850**
	CONSOLIDATED PROFIT (LOSS)	**(882,188)**	**(698,100)**	**(1,037,100)**
	attributable to the owners of the parent	**(283,607)**	**(188,105)**	**(263,596)**
	attributable to non-controlling interests	**(598,581)**	**(509,995)**	**(773,504)**

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012
(Values in Thousands of Euro)

STATEMENT OF COMPREHENSIVE INCOME	2012	2011 IAS 8 restated	2011
CONSOLIDATED PROFIT (LOSS)	(882,188)	(698,100)	(1,037,100)
Foreign currency translation differences	*(10,317)*	*(33,859)*	*(33,859)*
Net unrealized gains or losses on available-for-sales financial assets	*967,102*	*(638,678)*	*(638,678)*
Net unrealized gains or losses on cash flow hedging derivatives	*(14,578)*	(12,153)	(12,153)
Net unrealized gains or losses on hedge of a net investment in foreign operations	-	-	-
Share of other comprehensive income of associates	*7,383*	4,168	4,168
Reserve for revaluation model on intangible assets	-	-	-
Reserve for revaluation model on tangible assets	-	*(544)*	*(544)*
Result of discontinued operations	-	-	-
Actuarial gains or losses arising from defined benefit plans	*(11,264)*	*(7,344)*	*(7,344)*
Other	-	*(8,085)*	*(8,085)*
OTHER COMPREHENSIVE INCOME	938,326	(696,495)	(696,495)
TOTAL COMPREHENSIVE INCOME	56,138	(1,394,595)	(1,733,595)
attributable to the Group	(94,130)	(315,649)	(391,140)
attributable to minority interests	150,268	(1,078,946)	(1,342,455)

Premafin HP S.p.A. (“Premafin” or the “Company”) is a limited liability company registered in Italy. Registered addresses and locations where the principal activities are conducted are provided in the introduction to the financial statements. The principal activities of the Company and of group companies are detailed both in the Management report as well as in the section about Segmental Reporting.

These consolidated financial statements comprise, pursuant to IAS 1.8 (Presentation of Financial Statements), the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Statement of change in Shareholders’ Equity, the Cash Flow Statement and the Explanatory Notes to the Financial Statements. They also include the attachments as per ISVAP Regulation No.7 of July 13, 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 Premafin 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 July 13, 2007 and subsequent amendments.

The consolidated financial statements have been prepared in accordance with IAS/IFRS as currently in force.

ADDITIONAL DISCLOSURE IN THE FINANCIAL STATEMENTS AND EXPLANATORY NOTES RELATING TO THE 2011 COMPARATIVE FIGURES

As illustrated in the Directors’ Report in the section “Subsequent events after the year-end”, following CONSOB measure of April 17, 2013, protocol No. 13032789, the Company presented in the financial statements and explanatory notes the column “IAS 8 Restated” already communicated to the market on December 27, 2012 following CONSOB Decision No. 18430 of December 2012, in addition to the figures presented for comparative purposes for the 2012 consolidated financial statements approved by the Board of Directors on March 21, 2013.

In the financial statements and explanatory notes the reference to “IAS 8 Restated” figures refers to those made exclusively in accordance with CONSOB Decision No. 18430 of December 21, 2012. This is required as the above-mentioned measure requires that “the declaration of non-conformity and the additional disclosures requested above must, in addition, be provided together with the 2012 Annual Report, as well as the other documents published for the market concerning reporting of the 2011 financial statements of Premafin”.

In particular, the restatement of the 2011 figures were as follows:

- claims charges: these reduced by Euro 517 million, as this amount, which represents the differential of the Motor TPL claims provision highlighted by ISVAP in the Note of significant issues of September 29, 2011 for Fondiaria-SAI and of November 17, 2011 for Milano Assicurazioni, was considered, according to Consob Decision No. 18430, as a correction of an error of the previous Consolidated

Financial Statements and therefore, including the relative tax effect, reduced the equity reserves;

- income taxes: these increased by Euro 178 million, equal to the tax effect concerning the change to the claims charge.

This restatement resulted in a reduction in the 2011 loss of Euro 339 million and a reduction of a similar amount of the equity reserves, with a total net equity which remains unchanged.

In addition, these changes did not result in any amendment of the insurance liabilities represented by the claims provisions nor of the adjusted solvency margin.

In relation to the cash flow statement, neither the net liquidity deriving from operating activities nor the overall change in "Cash and cash equivalents" altered.

Finally, the changes to the closing balances presented in the Statement of changes in shareholders' equity represent the balance of the restatement previously illustrated, without, as previously stated, any change on the Comprehensive net equity at December 31, 2011. The 2011 Earnings per share table was also restated in line with IAS 8.

Consolidated statement of changes in Shareholders' Equity for the year ended December 31, 2012

In relation to the statement of change in shareholders' equity, the statement requested by Regulation No. 7/07, which satisfies the disclosures of IAS 1.

Specifically:

- The unrealised gains and losses on "Available-for-sale 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 reserves, the increase in share capital and other reserves, and the changes in unrealised gains and losses through equity;
- the "transfers" column to the income statement presents gains or losses previously recognised directly in equity in accordance with international accounting standards;
- the "other transfers" column presents distributions of ordinary dividends and decreases in capital and other reserves, including acquisition of own shares and gains or losses on the valuation of available for sale investments attributable to insurance policyholders to offset insurance liabilities.

PREMAFIN FINANZIARIA - S.P.A.

Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2012

(Values in Thousands of Euro)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IAS 8 RESTATED

		Amounts at 31-12-2010	Changes to closing balances	Amounts allocated	Reclassifications to the Income Statement	Transfers	Amounts at 31-12-2011	Changes to closing balances	Amounts allocated	Reclassifications to the Income Statement	Transfers	Amounts at 31-12-2012
Equity attributable to the owners of the Parent	Share capital	410,340	-	-	-	-	410,340	-	70,643	-	-	480,983
	Other equity instruments	-	-	-	-	-	-	-	-	-	-	-
	Capital reserves	21	-	-	-	-	21	-	(2,373)	-	-	(2,352)
	Retained earnings and other reserves	263,360	(75,491)	(187,205)	-	-	664	(75,491)	57,377	-	-	(17,450)
	(Own shares)	(43,183)	-	-	-	-	(43,183)	-	-	-	-	(43,183)
	Profit (loss) for the year	(271,541)	-	7,945	-	-	(263,596)	75,491	(95,502)	-	-	(283,607)
	Other comprehensive income/expense	(8,767)	-	(150,172)	22,628	-	(136,311)	-	155,037	34,439	-	53,165
	Total attributable to the owners of the Parent	**350,230**	(75,491)	**(329,432)**	**22,628**	**-**	**(32,065)**	**-**	**185,182**	**34,439**	**-**	**187,556**
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	2,627,767	(263,509)	315,934	-	-	2,680,192	(263,509)	241,381	-	-	2,658,064
	Profit (loss) for the year	(676,625)	-	(96,879)	-	-	(773,504)	263,509	(88,586)	-	-	(598,581)
	Other comprehensive income/expense	(31,256)	-	(683,211)	114,259	-	(600,208)	-	600,003	148,847	-	148,642
	Total attributable to non-controlling interests	**1,919,886**	**(263,509)**	**(464,156)**	**114,259**	**-**	**1,306,480**	**-**	**752,798**	**148,847**	**-**	**2,208,125**
Total		**2,270,116**	**(339,000)**	**(793,588)**	**136,887**	**-**	**1,274,415**	**-**	**937,980**	**183,286**	**-**	**2,395,681**

Consolidated cash flow statement for the year ended December 31, 2012

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 flows 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-cash items, for any deferral or accrual of future operating receipts and payments, and for revenues or costs relating to financial cash flows from investments and financial activities.

The following cash flow statement, prepared using the indirect method, sets forth separately the net cash flow from operating activity and the net cash flows from investing and financial activities.

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

STATEMENT OF CASH FLOWS
(indirect method)
(Values in Thousands of Euro)

	2012	2011 IAS 8 restated	2011
Profit (loss) befor tax for the year	**(1.013.234)**	**(942.017)**	**(1.459.017)**
Change in non-monetary items	**(1.226.267)**	**1.321.134**	**1.838.134**
Chang in Non-Life premium provision	(242.220)	(38.698)	(38.698)
Change in claims provision and other Non-Life technical provisions	33.660	292.273	809.273
Change in mathematical provisions and other Life technical provisions	(1.952.205)	(87.191)	(87.191)
Change in deferred acquisition costs	(21.949)	57.302	57.302
Change in provisions	(20.830)	(1.833)	(1.833)
Non-monetary gains and losses on financial instruments, investment property and investments	322.011	609.218	609.218
Other changes	655.266	490.062	490.062
Change in receivables and payables generated by operating activities	**189.812**	**(360.730)**	**(360.730)**
Change in receivables and payables arising out of direct insurance and reinsurance operations	156.519	(155.245)	(155.245)
Change in other receivables and payables	33.293	(205.485)	(205.485)
Paid taxes	**(32.823)**	**(125.644)**	**(125.644)**
Net cash flows generated by/used for monetary items from investing and financial activities	**2.104.212**	**(543.788)**	**(543.788)**
Liabilities from financial contracts issued by insurance companies	(759.348)	(368.904)	(368.904)
Payables to bank and interbank customers	(63.333)	(48.530)	(48.530)
Loans and receivables from bank and interbank customers	143.904	98.711	98.711
Other financial instruments at fair value through profit or loss	2.782.989	(225.065)	(225.065)
TOTAL NET CASH FLOW GENERATED BY/USED FOR OPERATING ACTIVITIES	**21.700**	**(651.045)**	**(651.045)**
Net cash flow generated by/used for investment property	75.995	28.986	28.986
Net cash flow generated by/used for investments in subsidiaries, associates and joint ventures	(27.326)	161.209	161.209
Net cash flow generated by/used for loans and receivables	8.511	(628.095)	(628.095)
Net cash flow generated by/used for held-to-maturity investments	(76.106)	(7.575)	(7.575)
Net cash flow generated by/used for available-for-sale financial assets	(1.532.440)	1.263.818	1.263.818
Net cash flow generated by/used for property, other tangible assets and intangible assets	(21.186)	(35.754)	(35.754)
Other net cash flow generated by/used for investment activities	87.167	(15.000)	(15.000)
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	**(1.485.385)**	**767.589**	**767.589**
Net cash flow generated by/used for equity instruments attributable to the owners of the Parent	337.190	-	-
Net cash flow generated by/used for treasury shares	-	-	-
Dividends distributed to the owners of the Parent	(231)	-	-
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	714.467	563.094	563.094
Net cash flow generated by/used for subordinated liabilities and equity instruments	-	-	-
Net cash flow generated by/used for other financial liabilities	(19.793)	(303.890)	(303.890)
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	**1.031.633**	**259.204**	**259.204**
Effect of exchange rate gains/losses on cash and cash equivalents	**(2.234)**	**(47)**	**(47)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1.004.105	628.404	628.404
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(434.286)	375.701	375.701
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	569.817	1.004.105	1.004.105

PREMAFIN FINANZIARIA S.p.A.

Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENT AT 31 DECEMBER 2012

EXPLANATORY NOTES

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 Gazette of the European Union.

REGULATIONS

The accounting standards utilised for the 2012 financial statements are in line with those of the previous year, with the exception of some amendments applicable from January 1, 2012 described below and which do not have a significant impact on the present consolidated financial statements.

IAS 12 - Income taxes – Deferred taxes: recovery of underlying assets

The standard clarifies the determination of the deferred taxes on property investments valued at fair value. The standard introduces the refutable presumption that the book value of a property investment, valued utilising the fair value model as per IAS 40, will be recovered through sale and that, consequently, the relative deferred tax should be valued on a sale basis. The presumption is refutable if the property investment is depreciable and is held with the objective to utilise over time substantially all the benefits deriving from the property investment, instead of realising these benefits through sale.

IFRS 7 – Financial Instruments: additional disclosure – Transfer of financial assets

The amendment requires additional disclosure relating to the assets transferred which are not entirely eliminated from the financial statements; the company must provide information which permits the readers of the financial statements to understand the relationship between those assets which are not eliminated and the associated liabilities. If the assets are entirely eliminated, but the company maintains a residual involvement, information must be disclosed which permits the readers of the financial statements to evaluate the nature of the residual involvement of the entity in the activities eliminated and the associated risks.

IFRS 1 - First-time adoption of International Financial Reporting Standards – severe hyperinflation and removal of fixed dates for new users

The IASB provided guidelines on how an entity should present IFRS financial statements when the functional currency ceases to be subject to severe hyperinflation, permitting these entities to utilise fair value as replacement of cost for all assets and liabilities present.

In addition, a new user should apply the provisions on the accounting elimination as per IAS 39 Financial Instruments: Recognition and measurement for operations on the commencement date of IFRS, eliminating the reference to the date January 1, 2004.
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 January 1, 2013 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 discretional 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 joint subsidiary companies using the proportional consolidation method. The joint subsidiary 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 a subsidiary, joint venture, associate or vehicle companies. New information disclosure is also included.

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.

IFRS 13 - Fair value measurement

IFRS 13 establishes a single IFRS guideline for all fair value measurement. 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 - disclosure in the financial statements of other components in the comprehensive income statement

The amendment to IAS 1 changes the grouping of the other comprehensive income statement items. The accounts which could be reclassified in the future (or "recycled") in 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 32 – Financial instruments: disclosure in the financial statements – Offsetting of financial assets and liabilities

The amendments clarify the significance of "currently having a legal right to offset", in addition to the application of the offsetting criteria as per IAS 32 in the case of regulation systems (for example centralised clearing houses) which utilise non-simultaneous gross regulation mechanisms.

IFRS 7 – Financial Instruments: Additional disclosure - Offsetting of financial assets and 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: disclosures in the financial statements". The disclosure is also required for financial instruments which are subject to executive offsetting contracts or similar agreements, independently of the fact that they are offset in accordance with IAS 32.

IAS 19 - Employee Benefits

In June 2012, the new IAS 19 was approved which, among other issues, abolished the corridor approach.

In relation to the accounting standards IFRS 7, 13 and IAS 29, applicable since January 1, 2013, there are no significant economic or equity effects; a review is currently in course to determine the required disclosures.

With reference to the other standards mentioned above, an assessment is currently being made on the economic and equity effects.

Section 2 – Basis of preparation

BUSINESS GOING CONCERN

On 19 July 2012, in implementing the Investment Agreement, UGF completed the increase in share capital of Premafin, that had been approved by the extraordinary shareholders meeting of 12 June 2012 and that was reserved to UGF, by subscribing to and fully paying for 1,741,239,877 newly issued unlisted ordinary shares for a total amount of Euro 339,541,776.02

Upon this acquisition, UGF became the controlling shareholder of Premafin with a holding of approximately 81% of its share capital, and, pursuant to the Investment Agreement, also provided Premafin with the financial resources to enable it, and its subsidiary Finadin, to subscribe to their respective proportions of the share option issue amounting to Euro 1,100.0 million that had been resolved upon by the shareholders' meeting of Fondiaria-SAI on 19 March 2012, and subsequently confirmed on 27 June 2012.

At the same time of the abovementioned acquisition, Phase I of the Debt Restructuring Agreement, entered into by the Company and lending banks on 13 June 2012, came into force, in accordance with the provisions of the Recovery Plan. The plan was drawn pursuant to Article 67 of the Bankruptcy Law, was approved by the Company on 30 March 2012 and hinged on the merger between Premafin group, Fondiaria-SAI and UGF.

On 14 November 2012, UGF resolved on the commencement of the management and co-ordination activities in relation to Premafin, its subsidiary Fondiaria-SAI and to all the companies that are managed and coordinated by these companies, as well as on the introduction of Premafin and its subsidiary International Strategy S.r.l. in the Unipol insurance group.

Lastly, in March 2013, through a shareholder loan agreement for amounts up to a maximum of Euro 13.5 million, UGF has provided Premafin, ahead of the completion of the planned Merger, with a flexible financing instrument in order to help meet the ordinary financial needs that might arise during the current financial year.

The above events have resulted in the elimination of uncertainities relating to the going concern assumption at the Company, that had been emphasised in the previous year.

The consolidated financial statement schedules have been prepared in accordance with the provisions of ISVAP Regulation 7 of 13/07/2007.

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 the Parent Company'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 the Parent Company owns half or less of the voting power of an entity when the Parent Company 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 govern the financial and operating policies of the entity in virtue of a clause in the company's By-laws or of a contract; 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 consolidated 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 investing 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 identifiable specific fixed 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 future prospects of the economic results.

Proportional consolidation

As per IAS 31, the consolidated financial statements include companies in which the Parent Company has joint control with other shareholders on the basis of a contractual agreement. In this case, the consolidation may be undertaken using the equity method or alternatively in accordance with the proportional method of the investment held.

Equity method consolidation

Associates are consolidated under the equity method in accordance with IAS 28: an associate is a company over which the Parent Company 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 does 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 Supervision Authority, and common reporting package for all Group companies, ensures the compliance of the formal standardisation.

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 December 31, 2012; the financial statements of all the subsidiaries consolidated on the line-by-line basis are also prepared as of consolidated December 31, 2012.

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 explanatory notes to the financial statements.

It is also indicated in the explanatory 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. In any case we report that the change in the accounting principles compared to 2011, which relates to the amortisation of the long-term Non-Life Class commissions, had a negligible positive impact on the result for the year of Euro 19 million before tax.

We also report that there were changes in the quantitative and duration indicators for the automatic recording of impairment on listed equity securities recorded under AFS assets.

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 to which the goodwill is monitored by senior 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, controllable, the cost may be estimated and 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 explanatory notes provide indications on the useful life of each category of intangible assets.

2. PROPERTY, PLANT & EQUIPMENT

The item includes buildings for use by the company and other fixed assets.

IAS 16 “Property, plant and equipment” provides that the buildings for use by the enterprise are 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 buildings for both own use and investment use. Reference should be made to the paragraph relating to property investments.

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 are buildings classified as inventory in the accounts of the companies operating in the real estate segment. These are valued, in accordance with IAS 2, at the lower between cost (including purchase 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 increase permanently 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. REINSURANCE ASSETS

The item refers to the obligations of reinsurers arising from reinsurance contracts in accordance with IFRS 4. The reinsurance assets are recognised and accounted for in accordance with the applicable principles applied to the underlying direct insurance contracts.

4. INVESTMENTS

Investment property

The investment properties include properties held for rental purposes and/or for capital appreciation.

IAS 40 “Investment properties”, which governs the properties held by the enterprise for investment purposes, provides that at the moment of the acquisition of the buildings, 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 building 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 buildings – 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 the buildings are located from the value of the buildings 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 building, such as plant and the structure.

The investment properties are subject to an impairment test also through comparison of the book value with the fair value, estimated by independent expert valuers.

Revaluations of the buildings 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 the buildings 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 credit worthiness 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. Specifically:

- 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 the reduction in value.

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 minority 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, as enacted on October 13, 2008, 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 explanatory notes.

Based on this option, as of January 1, 2009 the Group reclassified to "Loans and Receivables" debt securities for Euro 808,419 thousand, which at December 31, 2008 were included in the account "Available-for-sale". These securities, principally containing subordination clauses and issued by corporate parties, were measured at fair value at December 31, 2008 through mark to model, with the objective to provide maximum transparency and clarification in the valuations of the accounts. This intention does 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 current financial crisis which does not permit normal pricing, in particular for these types of securities.

The value transferred is equal to 2.4% of the total amount of the Investments of the Group at January 1, 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".

For the residual value of the financial instruments transferred reference should be made to the account "Loans and receivables" in the explanatory notes.

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 "current" 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 and 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 criteria.

Measurement of the fair value of financial instruments

The fair value represents the payment for which an asset may be exchanged or a liability settled in an arm's length transaction between willing and knowledgeable parties, at a certain date; therefore, this consists of the price that would be paid in an ordinary transaction, or a transaction which concerns market participants or transactions between willing market participants, therefore excluding forced transactions.

The determination of the fair value of the financial instruments is based on the going concern of the business.

The criteria to determine the hierarchy of fair value, based on market parameters, are the followings:

Level 1: Quoted prices in active markets

The valuation is the market price of identical financial instrument that have quoted prices on an active market.

Level 2: Valuation methods based on observable market parameters

The valuation of the financial instrument is not based on the market price of the financial instrument subject to valuation, but on prices available from market quotations of similar assets or through valuation techniques for which all the important inputs (such as credit and liquidity spreads) are observed on the market.

Level 3: Valuation methods based on non observable market parameters

The determination of the fair value is based on valuation techniques which prevalently utilise significant input not available on the market and results, therefore, in estimates and assumptions by management determined with reference to equity and yield methods. Where the fair value may not be determined in a reasonable manner, the financial instrument is valued at cost.

For the purposes of recognising the impairment of AFS, the Group defined the conditions of a prolonged and significant reduction in the fair value, defined alternatively on the basis of:

1. 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 change in the significant criterion from 60% to 50%, in addition to the period from two to three years, is in line with the criteria adopted by the Unipol Group.

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 is provided in the explanatory 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 non listed), 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 capital;
- 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 financial 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 instrument represented by capital 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 March 3, 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 average weighted cost at the date of preparation of the accounting documents.

The significant thresholds outlined above differ from those utilised in the financial statements in the previous year: in particular, in 2011, the conditions considered clear evidence of a reduction in value were a reduction in the market value of the financial instruments above 60% of their original cost or a continuous market value below the original cost for a period of two years.

The change was made also in order to apply uniform criteria across the Unipol Group which, as noted, during the year acquired control of the Premafin group. The change had a negligible impact on the income statement for the year (Euro 4 million higher impairment before tax).

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 the profit or loss account

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 non listed, as well as the positions open on derivative finance contracts 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 the profit and 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 brokers, co-insurance and reinsurance companies.

Receivables are valued at amortised cost calculated using the effective interest rate method, identified calculating the rate which equates to 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 nominal value and are periodically subject to impairment tests. Similar criteria is 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 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.

Deferred tax assets and tax receivables

Tax receivables refer to assets of a fiscal nature as defined 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 tax receivable assets due to payment of taxes pursuant to Article 1, paragraph 2 of Legislative Decree No. 209/02, as enacted by Article 1 of Law 265/2002, as supplemented. This is in compliance with Regulation No. 7 of 7/13/2007, even if the above-mentioned assets do not relate to income taxes.

At the year-end, the deferred taxes and current income taxes are reported net of the tax liabilities in accordance with the compensation 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 is 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 costs), 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 nominal value.

LIABILITIES AND SHAREHOLDERS' EQUITY

1. SHAREHOLDERS' EQUITY

Attributable to the Group

The account includes instruments representative of capital 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 catastrophic reserves and equalisation reserves pursuant to IFRS 4.14 (a), as well as the reserves deriving from the share-based payments.

The account Profits and losses on available-for-sale 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 instruments representative of capital 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 instruments and the components representative of capital and related 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 financial 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. INSURANCE CONTRACT LIABILITIES

The account includes the commitments deriving from insurance contracts gross of the reinsurance cessions. In particular, they include the provision made following the verification of the adequacy of the liabilities and the deferred liabilities to policyholders.

The general regulations on insurance contract liabilities, pursuant to Articles 36 and 37 of Legislative Decree 109/05, state that the amount of the insurance contract liabilities must always be sufficient to permit the companies to meet, as far as reasonably foreseeable, the commitments from insurance contracts; the insurance contract liabilities therefore are calculated in accordance with the individual financial statement criteria and no recalculation of the insurance contract liabilities was made as per IFRS 4.

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 settlement expenses.

The claims provision is determined in accordance with ISVAP Regulation No. 16 of March 4, 2008, utilising the latest 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 the year end.

The liability 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 latest 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. As consideration was taken on the totality of the claims, without distinction between claims incurred and claims reported late, the estimate of the final provision obtained by the model includes the I.B.N.R. provision (Incurred but not reported).

For the current generation, account was also taken of the presumable market value of the average cost of accepted claims.

Claims handled (no Card and Card)

The Chain Ladder Paid and Bornhuetter-Ferguson Paid actuarial methods were used in order to calculate the final cost for the claims provision with equal weighting to both methods.

It should be noted that the discontinuity observed in the number of claims provisioned at the end of 2012 compared to the previous year, primarily deriving from a different management treatment of the claims still open against only direct expenses, resulted in the impossibility of using the Fisher Lange actuarial method, utilised up to the previous year.

The actuarial methods utilised (Chain Ladder Paid and Bornhuetter-Ferguson Paid), based on the total amounts paid and not on the number of claims provisioned, on the other hand permitted the reaching of a satisfactory provision, determining a reasonable supplementation compared to the analytical estimates made by the loss adjustor network.

CARD Debtor

The value of the provision derives from the communications made by the 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 ISVAP regulations relating to excess and ceiling levels.

<u>CARD Management flat rates</u>

The provision for the Management CARD flat rate is determined through the application of the regulations for the definition of the flat rates on the cost of the Card Management Claims. Prudently, the calculation of the flat rate is made before the integration due to the application of the actuarial models.

<u>I.B.N.R. provisions (Incurred but not yet reported)</u>

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 Third Party Liability, Ordinary, No Card Claims and Card Claims, estimating the amounts based on historical data of late reporting in previous years and the average cost obtained from an analysis of late claims.

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 does not take into account all expected future charges, the Company, in order to determine the last cost, has developed the following actuarial valuation methods:

- Chain-Ladder Paid
- GLM

As consideration was taken of the totality of the claims, without distinction between claims incurred and claims reported late, the estimate of the final provision obtained by the model includes the I.B.N.R. provision (Incurred but not reported).

For the application of the Chain Ladder Paid the amounts of the claims paid from 1997 to 2012 were utilised with the addition of an adjustment in order to take account of claims older than 15 years.

The GLM is a stochastic method which, in addition to the claims provision (also determined on the basis of the historical data of payments classified by similar risk categories) provides confidence on the estimates obtained.

The amount of the provision was determined taking into account both methods. In fact, it is increasingly important to associate to the estimate of the provision through the traditional deterministic systems a valuation which, in addition to the value of the provision, allows specification of the predictability indices.

Other Non-Life Classes

The determination of the last cost was made on the basis of the provisions of the loss adjustor's, 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 last 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 made in comparison to the year of occurrence of the event giving rise to the claim.

Other technical provisions

In accordance with Article 37, paragraph 8 of Legislative Decree 209/05, this account includes the ageing provision comprising the insurance contracts against long term illness and for which the company has renounced the right of withdrawal; the provision was calculated in accordance with paragraph eight of the above-mentioned article.

Catastrophic and equalisation provision

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 premium fraction 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 insurance contract liabilities

The insurance contract liabilities 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 provision is not lower than the redemption values. The premium quota relating to the annual premiums of the subsequent year is included in the technical provision.

The insurance contract liabilities 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 insurance contract liabilities of the insurance contracts or investment contracts with discretionary participation features, the gains and losses not realised on the assets held against these provisions, as if they were realised.

This adjustment is recorded in net 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 March 28, 2008.

The securities in the segregated funds of the Life Insurance Sector are included in the category “available-for-sale”, or in the category “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 insurance contract liabilities and related assets and therefore is to be considered more representative of the underlying economic substance of the operations.

Adequacy test on liabilities (Liability Adequacy Test or LAT)

In accordance with IFRS 4 insurance companies must verify the adequacy of the insurance contract liabilities recorded in the financial statements. This verification must comply with some minimum requirements based on the best current estimates of the cash flows related to the contracts in portfolio at the year-end and those related (such as settlement expenses), and should take into account cash flows from guarantees and implicit options.

Any deficiencies in the insurance contract liabilities recorded in the financial statements in relation to the estimate of the future cash flows must be fully recognised in the income statement.

In order to evaluate the adequacy and the sufficiency of the provisions recorded in the local 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 Fondiaria-SAI, Milano Assicurazioni, Liguria Vita and Popolare Vita.

Lawrence Life does not require LAT tests for insurance contracts in that the provisions made satisfy the minimum control requirements.

The model operates at individual policy level and tariffs in order that the LAT covers almost all the policies governed by 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 provision of the services and, where applicable, of 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 curve of the Zero Coupon Italian Bonds at December 31, 2012.

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 considering also inflation.

In each period the cash flow projections are discounted utilising the GVT ITL Zero Coupon rate at December 31, 2012. For contracts with specific assets, the discount rate was taken from the effective return of the assets hedging the insurance liabilities, 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 and 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 valued at fair value through profit or loss as defined by IAS 39. In particular, the account includes the commitments to policyholders from investment contracts not regulated by IFRS 4, as well as those deriving from the management of pension funds.

These categories includes the liabilities relating to the products with characteristics indicated by Article 41, paragraphs 1 and 2 of Legislative Decree 209/95, 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 through the profit and loss of the fair value changes allows the correlation of the underlying assets with the valuation in accordance with the explanatory memo of November 19, 2004 issued by the European Commission regarding the correlated valuations between the assets and liabilities, IAS 39 and the indications provided by Isvap Regulation No. 7 of July 13, 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 the payables deriving from direct and indirect insurance operations, as well as provisions for employee leaving indemnities.

Employee leaving indemnity and other employee benefits

Following the pension reforms, from January 1, 2007 with application of Legislative Decree No. 252/2005, private sector employees may choose, depending on whether they work in a company with less or more than 50 employees, to allocate the portion of the Employee Leaving Indemnity that matures after January 1, 2007 to an INPS Treasury Fund or to a Complementary Pension. This choice must be made by June 30, 2007 or within six months from the employment date.

Following this reform the portion matured at December 31, 2006 continues to be considered as 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 December 31, 2006 and allocated to the INPS Treasury Fund and/or Complementary Pension, this is considered a defined contribution plan and therefore no longer subject to actuarial valuation.

Service bonus pursuant to Art. 32 of the National Collective Bargaining Agreement

The fund was created for all employees of insurance companies that had completed 25 and 35 years of service at the company based on the annual contributions matured at the payment date. In accordance with Italian GAAP, the provision is made for each employee in service of the amount matured. The provision is used for the premiums paid. This provision is also recognised in accordance with IAS 19, as qualifying under “other long-term employee benefits”.

6. OTHER LIABILITIES

Tax liabilities 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 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 the year-end, the current and deferred tax liabilities are recognised net of the corresponding tax assets in accordance with the compensation 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 discretional participation features for which IFRS 4 provides for adoption of the accounting principles 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 discretional 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 "Revenues" 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 the unit linked contracts of some portfolio indices, valued in accordance with IAS 39 and IAS 18. This valuation resulted in the separation of the financial liabilities (valued at fair value through the 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. In particular, in accordance with Article 45 of Legislative Decree 173/1997 and the instructions contained in ISVAP Regulation in relation to the accounts of insurance companies, the premiums include:

- cancellations due to technical reversals of the individual securities issued in the year;
- cancellation of premiums in the Life class from annuities expired in previous years;
- changes of contracts with or without changes in premiums, made through replacement or supplemented.

COMMISSION INCOME AND CHARGES

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 premium item, they refer to:

- index-linked contracts within Class V "Capitalisation";
- unit-linked contracts, which record, under commission income, the loading on the contracts and the management commission income and, under commission expenses, the commissions paid to the intermediaries.

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

Income and charges 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 originated from equity investments in associated companies recorded under the corresponding asset account. This relates in particular to the share of the result in the investment.

Income/expenses from other financial instruments and property investments

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 property investments.

OTHER REVENUES

The account includes:

- receivables from the sale of goods, from services other than those of a financial nature and from the use, by third parties, of intangible and tangible assets and other activities of the entity;
- other net technical income related to insurance contracts;
- exchange rate differences recorded in the income statement as per IAS 21;
- gains realised and any restatement in values relating to intangible and tangible assets.

NET INSURANCE AND BENEFIT CLAIMS

The account includes:

- amounts paid, net of recovery;
- changes in claims provision and other insurance contract liabilities in the Non-Life sector;
- changes in actuarial provisions and other insurance contract liabilities in the Life insurance sector;
- changes in insurance contract liabilities 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 classes based on the amounts of the claims treated and the sums paid, taking into account their differences.

INVESTMENTS EXPENSES

Expenses from investments in subsidiaries, associates and joint ventures

This item includes the charges arising from holdings in associated companies, recorded in the corresponding asset account. This relates in particular to the share of the result in the investment.

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:

- Financial charges recognised utilising the effective interest 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 properties or the derecognition of financial liabilities;
- Losses on valuation, 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 investments, as well as custodial and administration costs.

Other administration expenses

The account includes general and personnel expenses not allocated to the relative claims expenses, contract acquisition expenses and investment management charges. 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 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 theoretical 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 made in previous years following, in particular, changes in tax rates;
- deferred tax charge 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 made in previous years.

COMPREHENSIVE INCOME STATEMENT

The statement shows the revenue and cost items (including adjustments from 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 of 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, based on the principles adopted. For these purposes IFRS 8 establishes operating segments as "identifiable units which undertake business activities generating revenues and costs, whose operating results are periodically reviewed at the highest managerial level for the purpose of making decisions on the resources to be allocated to each segment and for the assessment of results"

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, for each sector of activity which represents a strategic business unit which 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 insurance contract liabilities of the Group and also actively operates in the management of investment properties.

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 sector is based on a discretional valuation to illustrate the primary sources of risks and benefits for the Group.

Intercompany receivables and payables and costs and revenues are directly eliminated within the sectors if the companies operate within the same sector. Where the intercompany transaction relates to companies operating in different sectors, the elimination is shown in the "Inter-segment eliminations".

Otherwise, the treatment is as follows:

- investments are eliminated within the sector in which the companies hold the assets;
- dividends are eliminated in the companies that receive the payments;
- realised gains and losses are eliminated by the company that recorded the results, even though the counterparties operate in different sectors.

UNCERTAINTY ON 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 2012 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. Information is provided below in accordance with paragraph 116 of IAS 1. In the related sections of the explanatory notes to the financial statements, adequate and exhaustive information is provided about the underlying reasons for the decisions taken, the valuations made and the criteria adopted in the application of the international accounting standards.

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 information purposes in the financial statements, where different judgments are made to those originally prevailing.
In particular, management used more subjective valuations in the following cases:

- assessment of impairment on goodwill arising from business combinations, and of goodwill in investments and their relative Value of Business Acquired;
- assessment of the fair value of financial assets and liabilities when not directly obtained from active markets. In this case the elements of subjectivity relate to the choice of the valuation models or the input parameters which may not be observable on the market;
- definition of the parameters utilised in the analytical valuations of equity and debt securities, particularly those not listed, included in the Available-for-Sale category to verify the existence of any loss in value. In particular reference is made to the choice of the valuation models and the principal assumptions and parameters utilised;
- assessment of the recovery of the deferred tax assets;
- assessment of provisions for risks and charges and the employee benefit provisions, for the uncertainty therein, of the period of survival and of the actuarial assumptions utilised.

The examples above aim to provide the reader of the financial statements a better understanding of the main areas of uncertainty, but it is not intended in any case to imply that alternative assumptions could be appropriate or more valid.

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 E – Information on risks and uncertainties.

Section 5 - Consolidation scope

The Premafin Group comprised 109 companies at 31/12/2012, including the parent company Premafin. 16 of the companies operate in the insurance sector, 1 in the banking sector, 42 in the real estate and agricultural sector, 21 in the financial services sector, whilst the rest are miscellaneous service companies.

Fully consolidated companies amount to 81, 15 of which are consolidated using the Net Equity method. The rest are consolidated using the proportional method, or are measured at the carrying amount, because their size or nature of their operations are not significant for the purposes of providing a true and fair view in the financial statements.

Subsidiaries total 88, of which 6 are directly controlled by parent company Premafin.

The changes in the scope of consolidation of the Fondiaria SAI Group during the financial year were not significant, and include IGLI S.p.A., MB Venture Capital and Quintogest S.p.A. no longer being in scope of the consolidation. In addition, Sistemi Sanitari S.c.a.r.l. was merged by incorporation into the Gruppo Fondiaria-SAI Servizi S.c.a.r.l., and in November 2012 companies Colpetrone S.r.l. and Santa Maria del Fico S.r.l. were merged by incorporation into Saiagricola S.p.A.

On 22 May 2012, Global Card Service S.r.l. was struck off the companies' register.

Also, in accordance with the provisions of IAS 27 para 40(d), the associate Fondiaria-SAI Servizi Tecnologici S.p.A. has been measured on the net equity basis because even though Fondiaria-SAI holds the majority of voting rights (51%), the operational control of the group company is in the hands of the other shareholder Hp Enterprise Services Italia S.r.l., on the basis of contractual governance.

Name - Place	Currency	Share Capital	% holding Direct	% holding Indirect		% total participating interest
CONTROLLED COMPANIES						
Companies consolidated line-by-line						
APB CAR SERVICE S.r.l. - Turin	Euro	10.000		Auto Presto & Bene S.p.A.	100,00%	26,505%
Atahotels Compagnia Italiana aziende turistiche alberghiere S.p.A. - Milan	Euro	15.000.000		Fondiaria-SAI S.p.A.	51,00%	
				Milano Assicurazioni S.p.A.	49,00%	21,750%
ATAVALUE S.r.l. - Turin	Euro	10.000		Sai Holding Italia S.p.A.	100,00%	26,505%
ATHENS R.E. FUND - FONDO SPECULATTIVO				Milano Assicurazioni S.p.A.	100,00%	16,801%
Auto Presto & Bene S.r.l. - Turin	Euro	2.619.061		Fondiaria-SAI S.p.A.	100,00%	26,505%
Banca Sai S.p.A. - Turin	Euro	116.677.161		Fondiaria-SAI S.p.A.	100,00%	26,505%
Bim Vita S.p.A. - Turin	Euro	11.500.000		Fondiaria-SAI S.p.A.	50,00%	13,252%
Bramante S.r.l. - Milan	Euro	10.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Campo Carlo Magno S.p.A. - Milan	Euro	9.311.200		Milano Assicurazioni S.p.A.	100,00%	16,801%
Carpaccio S.r.l. - Milan	Euro	10.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Casa di Cura Villa Donatello S.p.A. - Florence	Euro	361.200		Fondiaria-SAI S.p.A.	100,00%	26,505%
Cascine Trenno S.r.l. - Turin	Euro	10.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Centro Oncologico Fiorentino Casa di Cura Villanova S.r.l. (EX Casa Di Cura Villanova) - Sesto Fiorentino (Fi)	Euro	182.000		Fondiaria-SAI S.p.A.	100,00%	26,505%
Città della salute scrl - Florence	Euro	100.000		Casa di cura Villa Donatello	50,00%	
				Centro Oncologico Fiorentino Casa di Cura Villanova	45,00%	
				Donatello Day Surgery S.r.l.	2,50%	
				Florence Centro Chirurgia Ambulatoriale	2,50%	26,505%
Consorzio Castello - Florence	Euro	401.000		Nuove Iniziative Toscane S.r.l.	99,57%	26,088%
DDOR Novi Sad Ado - Novi Sad (Serbia)	Rsd	2.579.597.280		Fondiaria-SAI S.p.A.	99,99%	26,502%
DDOR Re Joint Stock Reinsurance Company - Novi Sad (Serbia)	Rsd	575.500.000		The Lawrence Re Ireland Ltd	99,998%	
				DDOR Novi Sad Ado	0,002%	26,505%
Dialogo Assicurazioni S.p.A. - Milan	Euro	8.831.774,00		Milano Assicurazioni S.p.A.	99,85%	16,775%
Dominion Insurance Holding Ltd - London (GB)	Gbp	35.438.267,65		Finsai International S.A.	100,00%	26,505%
Donatello Day Surgery S.r.l.- Florence	Euro	20.000		Centro Oncologico Fiorentino Casa di Cura Villanova	100,00%	26,505%
Europa Tutela Giudiziaria S.p.A. - Milan	Euro	5.160.000		Fondiaria-SAI S.p.A.	100,00%	26,505%
Eurosai Finanziaria di Partecipazioni S.r.l. - Turin	Euro	100.000		Fondiaria-SAI S.p.A.	100,00%	26,505%
Finadin - S.p.A. Finanziaria di Investimenti - Milan	Euro	100.000.000	60,00%	Saifin-Sainfinanziaria S.p.A.	40,00%	70,602%
Finitalia S.p.A. - Milan	Euro	15.376.285		BANCA SAI S.p.A.	100,00%	26,505%
Finsai International S.A. - Luxembourg	Euro	44.131.900		Fondiaria-SAI S.p.A.	19,92%	
				Sainternational S.A.	43,93%	
				Sailux SA	36,15%	26,505%
Florence Centro di Chirurgia Ambulatoriale S.r.l. - Florence	Euro	10.400		Centro Oncologico Fiorentino Casa di Cura Villanova	100,00%	26,505%
Fondiaria-SAI Nederland B.V. - Amsterdam (NL)	Euro	19.070		Fondiaria-SAI S.p.A.	100,00%	26,505%

Name - Place	Currency	Share capital	% of holding Direct		Indirect	% total participating interest
Gruppo Fondiaria-SAI Servizi S.c.r.l.- Milan	Euro	5.200.000		Fondiaria-SAI S.p.A.	64,16%	
				Milano Assicurazioni S.p.A.	34,21%	
				Systema Compagnia S.p.A.	0,18%	
				Dialogo Assicurazioni S.p.A.	0,20%	
				Europa Tutela giudiziaria S.p.A.	0,02%	
				Finitalia S.p.A.	0,02%	
				Incontra Assicurazioni S.p.A.	0,02%	
				The Lawrence Re Ireland Ltd	0,02%	
				BANCA SAI S.p.A.	0,02%	
				Pronto Assistance S.p.A.	0,90%	
				Sai Mercati Mobiliari Sim S.p.A.	0,02%	
				Liguria Assicurazioni S.p.A.	0,02%	
				Liguria Vita S.p.A.	0,02%	
				Pronto Assistance Servizi Scarl	0,02%	
				Bim Vita S.p.A.	0,02%	
				SIAT S.p.A.	0,11%	
				AUTO PRESTO & BENE S.r.l.	0,02%	
				IMMOBILIARE LOMBARDA S.p.A.	0,02%	23,136%
Fondiaria-SAI S.p.A. - Turin	Euro	1.194.572.974	24,319%	Finadin - S.p.A. Finanziaria di Investimenti	3,092%	26,505%
Immobiliare Fondiaria-SAI S.r.l - Milan	Euro	20.000		Fondiaria-SAI S.p.A.	100,00%	26,505%
Immobiliare Litorella S.r.l - Milan	Euro	10.329		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Immobiliare Lombarda S.p.A. - Milan	Euro	24.493.509,56		Fondiaria-SAI S.p.A.	64,17%	
				Milano Assicurazioni S.p.A.	35,83%	23,027%
Immobiliare Milano Assicurazioni S.r.l -Turin	Euro	20.000		Milano Assicurazioni S.p.A.	100,00%	16,801%
Incontra Assicurazioni S.p.A. - Milan	Euro	5.200.000		Fondiaria-SAI S.p.A.	51,00%	13,517%
Iniziative Valorizzazioni Edili - IN.V.ED. S.r.l. - Rome	Euro	10.329		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Insediamenti Avanzati Nel Territorio I.A.T. S.p.A. - Rome	Euro	2.580.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
International Strategy S.r.l. - Milan	Euro	26.000	100,00%			100,00%
Italresidence S.r.l. - Pieve Emanuele (Mi)	Euro	100.000		Atahotels S.p.A.	100,00%	21,750%
Liguria Società di Assicurazioni S.p.A. - Milan	Euro	36.800.000		Milano Assicurazioni S.p.A.	99,97%	16,796%
Liguria Vita S.p.A. - Milan	Euro	6.000.000		Liguria Assicurazioni SpA	100,00%	16,796%
Marina di Loano S.p.A. - Milan	Euro	5.536.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Masaccio S.r.l. - Milan	Euro	10.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Meridiano Aurora S.r.l. - Milan	Euro	10.000		Fondiaria-SAI S.p.A.	100,00%	26,505%
Meridiano Bellarmino S.r.l. - Turin	Euro	10.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Meridiano Bruzzano S.r.l. - Turin	Euro	10.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Meridiano Primo S.r.l. - Turin	Euro	10.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Meridiano Secondo S.r.l. - Turin	Euro	10.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%

Name - Place	Currency	Share capital	% holding Direct		Indirect	% total participating interest
Milano Assicurazioni S.p.A. - Milan	Euro	373.682.600,42		Fondiaria-SAI S.p.A.	61,10%	
				Fondiaria Nederland BV	1,51%	
				Popolare Vita S.p.A.	0,02%	
				Pronto Assistance S.p.A.	0,06%	
				SAI Holding Italia S.p.A.	0,52%	
				SAI International S.A.	0,20%	16,801%
Mizar S.r.l. - Rome	Euro	10.329		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Nuova Impresa Edificatrice Moderna S.r.l. - Rome	Euro	10.329		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Nuove Iniziative Toscane S.r.l. - Florence	Euro	26.000.000		Fondiaria-SAI S.p.A.	96,88%	
				Milano Assicurazioni S.p.A.	3,12%	26,202%
Pontormo S.r.l. - Milan	Euro	50.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Popolare Vita S.p.A. - Verona	Euro	219.600.005		Fondiaria-SAI S.p.A.	24,39%	
				SAI Holding Italia S.p.A.	25,61%	13,252%
Progetto Bicocca La Piazza S.r.l. in liquidazione - Milan	Euro	3.151.800		Immobiliare Fondiaria-SAI S.r.l.	74,00%	19,613%
Pronto Assistance S.p.A. - Turin	Euro	2.500.000		Fondiaria-SAI S.p.A.	100,00%	26,505%
Pronto Assistance Servizi Scarl. - Turin	Euro	516.000		Fondiaria-SAI S.p.A.	37,40%	
				Milano Assicurazioni S.p.A.	28,00%	
				Dialogo Assicurazioni S.p.A.	24,00%	
				Liguria Società di Assicurazioni S.p.A.	2,20%	
				Incontra Assicurazioni S.p.A.	0,15%	
				Systema Compagnia di Assicurazioni S.p.A	0,35%	
				Banca Sai S.p.A.	0,10%	
				Gruppo Fondiaria-SAI servizi	0,10%	
				Pronto Assistance S.p.A.	7,70%	21,182%
Ristrutturazioni Edili Moderne - R.EDIL.MO S.r.l. - Rome	Euro	10.329		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
SAI Holding Italia S.p.A. - Turin	Euro	50.000.000		Fondiaria-SAI S.p.A.	100,00%	26,505%
SAI Investimenti S.G.R. S.p.A. - Turin	Euro	3.913.588	20,00%	Fondiaria-SAI S.p.A.	51,00%	
				Milano Assicurazioni S.p.A.	29,00%	38,389%
Sai MercatiI Mobiliari Sim S.p.A. - Milan	Euro	13.326.395		Fondiaria-SAI S.p.A.	100,00%	26,505%
Saigricola S.p.A. Società Agricola - Turin	Euro	66.000.000		Fondiaria-SAI S.p.A.	92,01%	
				Milano Assicurazioni S.p.A.	6,80%	
				Pronto Assistance S.p.A.	1,19%	25,845%
Saifin - Saifinanziaria S.p.A. - Turin	Euro	102.258.000		Fondiaria-SAI S.p.A.	100,00%	26,505%
SAILUX S.A. - Luxembourg	Euro	30.000.000		Saifin - Saifinanziaria S.p.A.	99,99%	
				Finsai International	0,01%	26,505%
Saint George Capital Management S.p.A. - Lugano (CH)	Fr.Sv.	3.000.000		Saifin - Saifinanziaria S.p.A.	100,00%	26,505%
Sainternational S.A. - Luxembourg	Euro	154.000.000		Fondiaria-SAI S.p.A.	100,00%	26,505%

Name - Place	Currency	Share capital	% holding Direct	Indirect		% total participating interest
Scontofin S.A. - Luxembourg	Euro	75.000		Finadin - S.p.A. Finanziaria di Investimento	70,00%	
				Sailux S.A.	19,00%	54,457%
Service Gruppo Fondiaria-Sai S.r.l. - Florence	Euro	104.000		Fondiaria-SAI S.p.A.	70,00%	
				Milano Assicurazioni S.p.A.	30,00%	23,594%
Siat Società Italiana Assicurazioni e Riassicurazioni S.p.A. - Genoa	Euro	38.000.000		SAI Holding Italia S.p.A.	94,69%	25,097%
SIM Etoile S.A.S. - Paris	Euro	3.049.011,34		Fondiaria-SAI S.p.A.	100,00%	26,505%
Sintesi Seconda S.r.l. Milan	Euro	10.400,00		Immobiliare Milano Assicurazioni S.r.l.	100,00%	16,801%
Società Edilizia Immobiliare Sarda S.E.I.S. S.p.A. - Rome	Euro	3.877.500		Immobiliare Fondiaria-SAI S.r.l.	51,67%	13,695%
Sogeint S.r.l. - Milan	Euro	100.000		Milano Assicurazioni S.p.A.	100,00%	16,801%
SRP Asset Management S.A. - Lugano	Fr.Sv.	1.000.000		SAI International S.A.	100,00%	26,505%
Stimma S.r.l. - Florence	Euro	10.000		Fondiaria-SAI S.p.A.	100,00%	26,505%
Systema Compagnia di Assicurazioni S.p.A. - Milan	Euro	5.164.600		Milano Assicurazioni S.p.A.	100,00%	16,801%
The Lawrence Life Assurance Co. Ltd - Dublin (IRL)	Euro	802.886		Popolare Vita S.p.A.	100,00%	13,252%
The Lawrence Re Ireland Ltd - Dublin (IRL)	Euro	635.000		Fondiaria Nederland B.V.	100,00%	26,505%
Tikal R.E. Fund				Fondiaria-SAI S.p.A.	59,65%	
				Milano Assicurazioni S.p.A.	35,36%	21,750%
Trenno Ovest S.r.l. - Turin	Euro	10.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	26,505%
Villa Ragionieri S.r.l. - Florence	Euro	78.000		Fondiaria-SAI S.p.A.	100,00%	26,505%
Companies valued at cost						
Ata Benessere S.r.l. in liquidazione - Milan	Euro	100.000		Atahotels S.p.A.	100,00%	21,750%
DDOR auto Doo - Novi Sad (Serbia)	Euro	9.260,97		DDOR Novi Sad Ado	100,00%	26,502%
Hotel Terme di Saint Vincent Srl - Saint-Vincent (Ao)	Euro	15.300		Atahotels S.p.A.	100,00%	21,750%
Investimenti Mobiliari S.r.l. in liq. - Milan	Euro	90.000	100,00%			100,000%
Ital H & R S.r.l. - Pieve Emanuele (Mi)	Euro	50.000		Italresidence S.r.l.	100,00%	21,750%
Partecipazioni e Investimenti S.r.l. in liq. - Milan	Euro	90.000	100,00%			100,000%
Partecipazioni Mobiliari S.r.l. in liq. - Milan	Euro	90.000	100,00%			100,000%
Tour Executive S.r.l. - Milan	Euro	118.300		Atahotels S.p.A.	100,00%	21,739%

Name - Place	Currency	Share capital	% holding Direct	% holding Indirect		% total participating interest
ASSOCIATED COMPANIES						
Companies valued with the equity method						
A7 S.r.l. in liquidazione - Milan	Euro	200.000		Immobiliare Milano Assicurazioni S.r.l.	20,00%	3,361%
Borsetto S.r.l. - Turin	Euro	2.971.782		Immobiliare Milano Assicurazioni S.r.l.	44,93%	7,549%
Butterfly AM S.a.r.l. - Luxembourg	Euro	29.165		Immobiliare Fondiaria-SAI S.r.l.	28,57%	7,572%
Consulenza Aziendale per l'informatica SCAI S.p.A. - Turin	Euro	1.040.000		Fondiaria-SAI S.p.A.	30,07%	7,970%
Fin. Priv. S.r.l. - Milan	Euro	20.000		Fondiaria-SAI S.p.A.	28,57%	7,572%
Fondiaria-SAI Servizi Tecnologici S.p.A. - Florence	Euro	120.000		Fondiaria-SAI S.p.A.	51,00%	13,517%
Garibaldi S.C.A. - Luxembourg	Euro	31.000		Milano Assicurazioni S.p.A.	32,00%	5,375%
Isola S.c.a. (ex HEDF Isola)- Luxembourg	Euro	31.000		Milano Assicurazioni S.p.A.	29,56%	4,967%
Metropolis S.p.A. in liquidazione - Florence	Euro	1.120.720		Immobiliare Milano Assicurazioni S.r.l.	29,71%	4,991%
Penta Domus SpA - Turin	Euro	10.820.000		Immobiliare Milano Assicurazioni S.r.l.	20,00%	3,361%
Progetto Alfiere S.p.A. - Rome	Euro	4.740.000		Immobiliare Fondiaria-SAI S.r.l.	19,00%	5,036%
Servizi Immobiliari Martinelli S.p.A. - Cinisello Balsamo (MI)	Euro	100.000		Immobiliare Milano Assicurazioni S.r.l.	20,00%	3,361%
Società Funivie del Piccolo San Bernardo S.p.A. - La Thuile (AO)	Euro	9.213.417,50		Immobiliare Fondiaria-SAI S.r.l.	27,38%	7,257%
Sviluppo Centro Est S.r.l. - Rome	Euro	10.000		Immobiliare Milano Assicurazioni S.r.l.	40,00%	6,722%
Valore Immobiliare S.r.l - Milan	Euro	10.000		Milano Assicurazioni S.p.A.	50,00%	8,399%
Companies valued at book value						
Cono Roma S.r.l. in liquidazione - Rome	Euro	10.000		Finadin	50,00%	35,301%
DDOR Garant - Belgrade (Serbia)	Rsd	3.309.619		DDOR RE	7,54%	
				DDOR Novi Sad Ado	32,46%	10,602%
Società Finanz. Per Le Gest. Assicurative S.r.l. in liquid. - Rome	Euro	47.664.600		Fondiaria-SAI S.p.A.	14,91%	
				Milano Assicurazioni S.p.A.	7,50%	5,211%
Soaimpianti - Organismi di Attestazione S.p.A. in liquidazione - Milan	Euro	84.601		Fondiaria-SAI S.p.A.	21,64%	5,735%
Ufficio Centrale Italiano S.c.a r.l. - Milan	Euro	520.200		Fondiaria-SAI S.p.A.	13,859%	
				Siat S.p.A.	0,093%	
				Milano Assicurazioni S.p.A.	10,760%	
				Liguria Assicurazioni SpA	0,303%	
				Systema assicurazioni S.p.A	0,0002%	
				Dialogo S.p.A.	0,0000%	
				Incontra Assicurazioni S.p.A.	0,0023%	5,555%

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 Supervision Authority and are included as an Annex to the present information.

BALANCE SHEET – ASSETS

1. INTANGIBLE ASSETS

These are broken down as follows:

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Change**
Goodwill	1,156,425	1,422,447	(266,022)
Other intangible assets	58,516	95,157	(36,641)
Total	**1,214,941**	**1,517,604**	**(302,663)**

Goodwill

In accordance with IFRS 3.75, 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.

(values in Thousands of Euro)	**31.12.12**	**31.12.11**
Values at the beginning of the Period	**1.422.447**	**1.630.403**
Impairment losses recorded in previous periods (-)	(207.830)	(107.123)
Subtotal	**1.422.447**	**1.523.280**
Period's increases	-	-
Decrease due to disposals or reclassification under AFS assets	-	-
Impairment losses recorded in the period	(260.235)	(100.707)
Exchange differences	(5.787)	(126)
Other changes	-	-
Value at the end of the Period	**1.156.425**	**1.422.447**

The loss in value, of Euro 260 million, refers to the impairment made on the following goodwill and consolidation differences:

(values in Thousands of Euro)	**2012**
consolidation difference on:	
- Popolare Vita	159,000
- Milano assicurazioni	73,721
- Incontra assicurazioni	13,433
- DDOR Novi Sad	12,601
- Florence Centro di Chirurgia Ambulatoriale	1,279
- Milano assicurazioni for Dialogo assicurazioni	49
goodwill	
- related to the acquisition by SIS of the Ticino portfolio in 1995	152

The reduction of the "Exchange differences" relates to the appreciation of the Euro against the Serbian Dinar.

The Goodwill is broken down as follows:

(values in Thousands of Euro)	**31/dec/2012**	**31/dec/2011**	**Change**
Goodwill arising out of the incorporation of La Fondiaria S.p.A.	504,763	504,763	-
Goodwill recorded into the consolidated financial statements of Milano Assicurazioni S.p.A.	167,227	167,379	(152)
Other goodwill	530	530	-
Consolidation differences	483,905	749,775	(265,870)
Value at the end of the Period	**1,156,425**	**1,422,447**	**(266,022)**

The details of goodwill are shown below:

(values in Thousands of Euro)

Premafin Group's Goodwill	**31.12.12**	**31.12.11**
Fondiaria-SAI S.p.A.: Fondiaria Assicurazioni incorporation in 2002	276,592	276,592
Fondiaria-SAI S.p.A.: consignment of the company	162,684	162,684
Fondiaria-SAI S.p.A.: Fondiaria Assicurazioni	65,488	65,488
Milano Assicurazioni S.p.A.: Card premiums portfolio acquisition in 1991	33,053	33,053
incorporation in 1991	17,002	17,002
Milano Assicurazioni S.p.A.: acquisition of the line of business Latina Assicurazioni in 1992	34,522	34,522
Milano Assicurazioni S.p.A.: consignment of the Life portfolio of La Previdente Assicurazioni in 1992	16,463	16,463
Consolidation difference:		
on Milano Assicurazioni S.p.A. consolidation	105,480	179,201
on Milano Assicurazioni S.p.A. for Ex Previdente Vita	3,275	3,275
on Milano Assicurazioni S.p.A. for Dialogo	0	49
Total	**714,559**	**788,329**
Milano Group's Goodwill antecedent to 31/12/2002		
Goodwill arising out of the acquisition of MAA portfolio by Nuova MAA	65,134	65,134
portfolio in 1995 made by SIS	-	152
Goodwill arising out of the transfer, in 2001, of the portfolio of Maa Vita, then incorporated in Milano	1,052	1,052
On SASA Danni S.p.A., now incorporated in Milano	8424	8424
Other goodwill	**31.12.12**	**31.12.11**
Goodwill on Sistemi Sanitari S.c.r.l. arising out of the acquisition of line of business, now incorporated in	530	530
Consolidation difference:		
On Liguria Assicurazioni Group	55,714	55,714
On Incontra Assicurazioni S.p.A.	-	13,432
On Florence Centro di Chirurgia Ambulatoriale S.r.l.	-	1,279
On Popolare Vita S.p.A.	201,601	360,601
On DDOR Novi Sad ADO	54,701	73,090
On Fondiaria-SAI S.p.A	54,710	54,710
Total other goodwill	**367,256**	**559,356**
Total goodwill of the Group	**1,156,425**	**1,422,447**

Impairment test on goodwill – Introduction

The notes below report the principal assumptions on which the impairment tests were carried out for the year 2012 on the goodwill recorded in the balance sheet.

The Group verifies the recovery of the goodwill allocated to the Cash Generating Units (CGU's) 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 in the first-time adoption at the transition date to IFRS - IAS (January 1, 2004) was equal to the total amount of the goodwill "inherited" at December 31, 2003, as no recalculation of the business combinations were made 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's book value for goodwill existing as of January 1, 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 (CGU's) were identified as significant beneficiaries of the synergies from the business combination, represented by the Life and Non-Life Insurance Sectors of the subsidiary Fondiaria-SAI and of the subsidiary Milano Assicurazioni.

This identification also complies with the Group management reporting system, in which the CGU's represent the minimum level to which the goodwill is monitored for internal management control purposes, in line with the sector definition 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, as of December 31, 2012 the goodwill allocated to the CGU's are as follows:

(values in Thousands of Euro)	Fondiaria -SAI		Milano Assicurazioni		
CGU	Fondiaria Non-Life	Fondiaria Life	Milano Non-Life	Milano Life	Total
	1	2	3	4	
Allocated accounting goodwill	467,480	91,994	230,562	53,843	**843,879**

Other goodwill arising after January 1, 2004

The table below sets forth the breakdown of the goodwill deriving from business combinations after January 1, 2004:

(values in Thousands of Euro)

Allocated goodwill	2012	2011
Liguria Assicurazioni Group (100%)	55,714	55,714
Incontra Assicurazioni S.p.A. (51%)	-	13,432
Florence Centro di Chirurgia Ambulatoriale S.r.l. (100%)	-	1,279
Popolare Vita (50% + 1 share)	201,601	360,601
DDOR (99,99%)	54,701	73,090
Sistemi Sanitari (100%)	530	530

Recoverable value of the CGU's

The recoverable value of the CGU's is the higher between the fair value net of selling costs and the value in use. The fair value of the CGU's 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 CGU's, 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 take into account the expected cash flows from the budget and/or business plans of the CGU subject to valuation, and 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	Considered flows	Ke%	Terminal Value	Growth rate (%)
FONDIARIA-SAI					
Non-life Business	DDM	2013-15 plan + projections	9.59	Yes	2
Life Business	Appraisal Value		-	-	-
MILANO ASS.NI					
Non-life Business	DDM	2013-15 plan + projections	9.59	Yes	2
Life Business	Appraisal Value		-	-	-
LIGURIA ASS:NI GROUP	DDM+Appraisal Value	2013-15 plan + projections	9.59	Yes	2
DDOR NOVI SAD	DDM	2012-17 plan	14.8	Yes	3
POPOLARE VITA	Appraisal Value	-	-	Yes	1

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 2013 budget and from the 2014-2015 plan. Regarding the period 2015-2016, further estimates were made approved by the Board, exclusively to support the impairment test.

The recoverable value of the CGU's relating to Fondiaria-SAI, Milano Assicurazioni and Liguria Assicurazioni was calculated using an analytical approach based on the DDM method for the Non-Life CGU and the Appraisal Value method for the Life CGU. Therefore the recoverable value of the Non-Life insurance and Life insurance was calculated separately, taking into account, in the Non-Life insurance sector, the necessity to create capital provisions (DDM with excess capital).

In particular:

1. The Non-Life insurance sector was valued using the DDM method (Dividend Discount Model), which utilised as reference the expected dividend cash flow for the period 2013-2017, as taken from the Fondiaria SAI Group budget for 2013, the 2014-2015 Plan and further projections for the period 2016-2017. For the 2016-2017 projections, the main assumptions were based on a premium growth in line with the growth for the last year of the business plan, on a combined ratio and a target return of investments in line with the levels expected for 2015.
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 December 31, 2012, net of the cost of capital and taxes.Goodwill is based on the calculation of the new business value as of December 31, 2012, to which a multiple of 5 was applied, in line with market practice.

For DDOR Novi Sad ADO the impairment test was based on the forecast in the 2013-2017 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 financial cash flows are estimated.

The valuation indicated the need to record an impairment of goodwill of Euro 12.6 million.

For Popolare Vita (and its subsidiary The Lawrence Life) the impairment test was in line with the control method used at the end of 2011.

Also in 2012 Popolare Vita recorded premium volumes lower than forecasted in the original plan, which consequently is no longer utilisable to calculate the recoverable value of the goodwill referring to this initiative.

Therefore for the purposes of the impairment test at December 31, 2012, a valuation was made by an independent expert to establish the appraisal value of the subsidiary considering the possible exercise of the sales option to the second largest shareholder of the Company, under the shareholder agreement signed on September 7, 2007. The approach adopted is therefore undertaken to determine the fair value of Popolare Vita.

This valuation was based on:

- the embedded value at 31/12/2012;
- the goodwill as of December 31, 2012 as the sum of the value of future new business based on products sold in 2012, the respective costs and volumes of new business forecast over the next 5 years and the Terminal Value as capitalisation in perpetuity, at a long-term growth rate of the added value of the new business for the last year. The valuation range on average identified a recoverable value of Euro 505

million. This value resulted in the need to recognise a write-down on goodwill of Euro 159 million as, although the recoverable value was not significantly different that the previous year, the book value of the CGU increased due to the net equity component arising from the recovery in the value on AFS bonds, whose effect was however neutral in the technical determinants utilised in the calculation of the Appraisal Value.

In order to further support the conclusions reached and as a control methodology, two separate valuation methods were utilised.

Firstly, the comparable transactions multiple method was used, and in particular, the Goodwill/Gross Premiums and Price/Net Equity multiple concerning a sample of transactions on the Italian market in the 2008-2012 period. In particular, the multiples considered are 19.7% for Goodwill/Gross premiums and 1.72% for Price/Net equity. Based on the application of the method outlined above, a recoverable value of the investment in Popolare Vita of Euro 587.0 million and Euro 522.9 million were calculated, respectively based on the Goodwill/Gross Premiums multiple and the Price/Net 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 December 31, 2012;
- Value of in force business at December 31, 2012;
- New Business value on expiry (2017).

The New Business Value estimate was made utilising the 2012 new business and assuming a reasonably sustainable growth of premiums written for the next 5 years (residual duration of the distribution agreement), leaving new business profitability at the 2012 level. The benefit deriving from the outsourcing contract between the Parent company and the subsidiary was added to the Appraisal Value. For this purpose, the 2013-2017 future cash flows estimated based on 2012 net revenues were discounted. Also this method identified a range of values within the recoverable value calculated under the principal method.

Excess of the recoverable value compared to the book value of the CGU

The following table shows the comparison between the recoverable value of the principal CGU's compared to the book value, noting that the values shown refer to the Group share:

(values in Thousands of Euro)	**Recoverable amount**	**Book value**	**Surplus**
Fondiaria-SAI Non-life	354	253	101
Fondiaria-SAI Life	244	221	23
Milano Assicurazioni Non-life	144	144	-
Milano Assicurazioni Life	78	73	5
Liguria Assicurazioni Group	16	15	1
DDOR NOVI SAD	25	25	-
POPOLARE VITA	134	134	-

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 CGU's the following sensitivity analyses were carried out:

- changes in the combined ratio and target investment returns around +/-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 CGU's, the sensitivity analyses performed were as follows:

- change in the synthetic multiplier between the range 3x-13x 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;
- solvency margin equal to 120% and 150%.

The results obtained in relation to the Fondiaria-SAI and Milano Assicurazioni Non-Life and Life CGU's 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 CGU's such as to eliminate the difference between the recoverable value and the book value.

Sensitivity analysis was performed on the recoverable value of the Popolare Vita CGU which determined a range in value of between Euro 462 million and Euro 562 million and which contained changes of +/-1% in the discount rate and growth rate in premiums forecast in the period 2015-2017.

The recoverable value of the DDOR Novi Sad ADO CGU was within the interval Euro 93-100 million. These limits derive from the sensitivity analysis assuming a change of +0.25% of the discount rate and of -0.25% of the long-term growth rate (g rate).

Other Intangible Assets

Other intangible assets amount to Euro 58,516 thousand (Euro 95,157 thousand at December 31, 2011) and are broken down as follows:

(values in Thousands of Euro)	Gross Carrying value	Accumulated depreciation and accumulated losses	Net value at 31.12.12	Net value at 2011
Research and studies expenses	204,500	(184,770)	19,730	25,516
Utilisation rights	22,376	(16,842)	5,534	6,515
Other intangible assets	259,352	(226,100)	33,252	63,126
Total	**486,228**	**(427,712)**	**58,516**	**95,157**

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 2012 and in previous years. They are amortised over a period of three or five years based on the 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.

The intangible assets include the values relating to the customer portfolios acquired by the following companies:

(values in Thousands of Euro)	2012	2011	Change
Liguria Assicurazioni S.p.A.	2,958	10,054	(7,096)
DDOR Novi Sad ADO	589	8,115	(7,526)
TOTAL	**3,547**	**18,169**	**(14,622)**

The VOBA of DDOR Novi Sad includes a negative currency effect of Euro 400 thousand.

These amounts relate to the recording of the VOBA (Value On Business Acquired) on the business combinations.

In particular, for Liguria Assicurazioni and DDOR, the VOBA represents the cash flows which will be generated, within a defined period of time, by the insurance portfolio acquired.

The amortisation of these assets is determined based on the expected time period of the returns: in particular, for DDOR and Liguria the average amortisation period is respectively 5 and 7 years.

The amortisation recorded in the income statement of the above-mentioned assets in 2012 was Euro 14,159 thousand (Euro 14,586 thousand in 2011).

The reconciliation of the opening and closing book values of the other intangible assets is shown below:

	Research and studies expenses		Utilisation rights		Other assets		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
(values in Thousands of Euro)								
Book value at the beginning of the Period	25,516	27,798	6,515	6,801	63,126	84,565	95,157	119,164
Increases, of which: - purchased and internally generated	7,290	13,413	2,630	2,512	3,478	4,381	13,398	20,306
- deriving from business combination operations	-	-	-	-	-	-	-	-
- arising out of changes in the consolidation method	-	-	-	-	-	-	-	-
Decreases due to disposals and reclassifications	(33.0)	-	(788)	(321)	(656)	(857)	(1,477)	(1,178)
Impairment losses recorded in the period	-	-	-	(20.0)	(7,865)	-	(7,865)	(20)
Reversals of impairment losses recorded in the period	-	-	-	-	-	-	-	-
Period depreciation	(13,043)	(15,695)	(2,742)	(2,455)	(24,335)	(24,943)	(40,120)	(43,093)
Changes arising from exchanges differences	-	-	(80)	(2)	(496)	(20)	(576)	(22)
Other changes	-	-			-	-	-	-
Value at the end of the Period	**19,730**	**25,516**	**5,535**	**6,515**	**33,252**	**63,126**	**58,517**	**95,157**

The impairments in the year relate to the write-downs made by the subsidiary Atahotels concerning the loss in value recorded on the leasehold improvements, with particular reference to the hotel activities.

2. PROPERTY, PLANT AND EQUIPMENT

The account amounts to Euro 376,580 thousand (Euro 405,349 thousand at 31/12/2011), a decrease of Euro 28,769 thousand.

Property, plant and equipment was broken down as follows:

	Property		Land		Other assets		Total	
	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11
(values in Thousands of Euro)								
Gross carrying value	196.696	337.786	156.643	25.832	210.194	213.697	563.533	577.315
Accumulated depreciation and impairment losses	(45.807)	(44.690)	-	-	(141.146)	(127.276)	(186.953)	(171.966)
Net value	**150.889**	**293.096**	**156.643**	**25.832**	**69.048**	**86.421**	**376.580**	**405.349**

The movements in the year are shown below:

	Property		Land		Other assets		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
(values in Thousands of Euro)								
Book value at the beginning of the	293,096	476,026	25,832	28,192	86,421	93,854	405,349	598,072
Increases	9,413	13,273	2,261	-	5,588	7,615	17,262	20,888
Disposals	(2,193)	(299)	0	(292)	(5,784)	(3,410)	(7,977)	(4,001)
Reclassifications or transfers	(131,518)	(170,471)	130,458	(1,700)	-	-	(1,060)	(172,171)
Other deriving from business	-	-	-	-	-	-	-	0
Permanent impairment losses	(12,584)	(21,405)	(1,909)	(368)	(4,386)	(682)	(18,879)	(22,455)
Reversals of impairment losses	-	-	-	-	-	-	-	-
Period depreciations	(3,627)	(4,143)	-	-	(12,628)	(10,954)	(16,255)	(15,097)
Changes arising out of exchanges	(1,734)	115	-	-	(126)	(2)	(1,860)	113
Other changes		-	-	-	-	-	-	-
Total	**150,853**	**293,096**	**156,642**	**25,832**	**69,085**	**86,421**	**376,580**	**405,349**

The impairments refer to the buildings whose book value is above the market value as valued by independent expert’s and therefore considered as permanent losses in value.

In relation to the accounts “Property” and “Land”, the “Reclassifications and transfers from/to other categories” include:

- Euro 130.5 million for the value of land, classified as inventory as per IAS 2, held by some subsidiaries of Immobiliare Fondiaria-SAI;
- Euro 1.1 million relating to the reclassification to the account “Investment property” of some properties owned by the subsidiary DDOR.

The account relating to land represents the indefinite useful life component separated from the properties. The separation of the land is made based on specific independent expert’s valuations at the transition date (January 1, 2004), or, where more recently, at the acquisition date.

The properties included in the line item property 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 buildings of the Group, nor have significant amounts been recorded in the income statement for reductions in value.

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.

The Group annually engages independent appraisers to determine the fair value of its land and properties. In particular, for the insurance companies of the Group, this process complies with specific provisions of the Supervision Authority and to the requirements of IAS 40.

No properties of the Group 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 the year-end, is Euro 153 million lower than the expert valuations based on market values (Euro 192 million at December 31, 2011).

The residual “other tangible fixed assets” mainly relates to assets of the Group utilised in the exercise of its 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. REINSURANCE ASSETS

The total amount of the account is Euro 807,304 thousand (Euro 701,880 thousand as of December 31, 2011) – an increase of Euro 105,424 thousand. They were broken down as follows:

(values in Thousands of Euro)	31/dec/2012	31/dec/2011	Changes
Reinsurers' share of Non-life unearned premiums provisions	152.117	157.012	(4.895)
Reinsurers' share of Non-life outstanding claims provisions	576.951	451.605	125.346
Reinsurers' share of Non-life other technical provisions	-	-	-
Reinsurers' share of Mathematical provisions	76.214	90.116	(13.902)
Reinsurers' share of Amounts to be paid provisions	2.022	3.147	(1.125)
Reinsurers' share of class D provisions	-	-	-
Reinsurers' share of Other Life technical provisions	-	-	-
Total	**807.304**	**701.880**	**105.424**

Of this amount Euro 432 million refers to reinsurance expenses while Euro 375 million refers to cession provisions.

4. INVESTMENTS

These are broken down as follows:

(values in Thousands of Euro)	31/dec/2012	31/dec/2011	Change
Investment property	2,216,422	2,776,452	(560,030)
Investments in subsidiaries, associates and joint ventures	126,016	116,795	9,221
Held-to-maturity investments	718,119	599,713	118,406
Loans and receivables	3,527,030	3,688,865	(161,835)
Available-for-sale financial assets	20,856,516	17,608,557	3,247,959
Financial assets at fair value through profit or loss	6,439,319	9,026,664	(2,587,345)
Total	**33,883,422**	**33,817,046**	**66,376**

4.1 Investment Property

The account includes all the properties owned by the Group for rental or for capital appreciation.

The investment properties are 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 Group has separated the value of the properties owned 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 properties is made on the basis of updated expert valuations at the date of transition to the international accounting standards (i.e. January 1, 2004), on the basis of the independent experts’ valuation report prepared on the 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 depreciation rate utilised for the “properties” is between 0.63% and 22.22%, while the depreciation rate relating to the “equipment” is between 0.83% and 27.90%.

Annually, the Group determines the fair value of the investment property, on the basis of independent experts’ valuations, which 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 Supervision Authority.

Overall, the book value of the investment property as of December 31, 2012 was Euro 550 million lower than the independent experts' valuations (Euro 690 million as of December 31, 2011).

The breakdown of the investment property and the changes in the year are shown below.

(values in Thousands of Euro)	31/dec/2012	31/dec/2011	Change
Gross carrying amount	2,704,200	3,204,995	(500,794)
Accumulated depreciation and permanent impairment losses	(487,778)	(428,543)	(59,235)
Net value	**2,216,422**	**2,776,452**	**(560,029)**

The changes in the investment property in the year is shown below:

(values in Thousands of Euro)	31/dec/2012	31/dec/2011
Book value at the beginning of the Period	**2,776,452**	**2,912,189**
Increases arising from purchases and additional expenses	7,357	39,601
Properties arising from business combination	-	-
Disposals and reclassifications	(59,114)	(34,043)
Period depreciation	(72,537)	(72,463)
Impairment losses/Reversals of impairment losses recorded in the period	(281,434)	(244,444)
Changes arising out of exchanges differences	(705)	(11)
Transfers from other cathegories	(153,597)	175,623
Other changes	-	-
Book value at the end of the Period	**2,216,422**	**2,776,452**

The account "Transfers to/from other categories" includes:

- Euro 150.8 million relating to the reclassification to the account "Other receivables" of debtor positions, for "Assets in progress and advances", of the companies of the Fondiaria SAI Group from the companies IM.CO. and Sinergia following the bankruptcy declaration of this latter;
- Euro 3.8 million relating to the reclassification to the account "Discontinued Assets" of the properties owned by the subsidiary Auto Presto e Bene located in Grugliasco, Via Grandi 2;
- Euro 1.1 million relating to the reclassification from the account "Property and equipment" of some properties owned by the subsidiary DDOR Novi Sad ADO.

The disposals relate to properties owned by the Parent Company and some subsidiaries including the building at Piazza S. Maria Beltrade at Milan, sold at the end of June to Carlyle Real Estate SGR S.p.A. for consideration of Euro 63 million with the realisation of a gain of approx. Euro 15 million.

The permanent losses in value refer to the properties owned by the Parent Company and some subsidiaries, whose book value was above the market value: these differences were considered permanent losses in value.
The main impairments recorded on the real estate properties of the Group is reported below (Property and equipment and Investment property);

(in Euro thousands)	**31/12/2012**	**31/12/2011**
Florence - Area Castello NIT	51,183	27,287
Pero - Via Keplero	36,367	27,637
Varese - Via Albani	22,036	14,906
Milan - Via Caldera	19,666	7,179
Sesto Fiorentino - Via Ragionieri	14,778	3,956
Milan - Via dei Missaglia	12,452	3,323
Milan - Via Lancetti	12,404	3,111
Turin - Via Gobetti	11,171	580
Civitella Paganico - Terme di Petriolo	8,823	9,905
Milan - Via Tucidide	8,310	-
Milan - Via Fara	7,476	-
Milan - Via Crespi	6,398	1,574
Pieve Emanuele - Via dei Pini	5,400	7,000
Pinzolo - Campo Carlo Magno	4,709	7,860
Rome - Via Fiorentini	-	29,883
Loano - Lungomare Madonna di Loreto	-	22,124
Milan - Area Garibaldi Repubblica	261	14,128
Milan - Via de Castillia	-	12,593
San Pancrazio Parmense - Via Emilia	-	11,689
Other buildings	74,495	60,709

In relation to the write-downs, it should be noted that the lower value attributed to the properties compared to the valuations already prudently made in the previous year were impacted by the underlying economic difficulties in which the real estate sector values are not expected to increase.

The general outlook anticipates unsold building stock or repossessions against unpaid mortgages and continued difficulty in accessing credit by both sector operators and private individuals. In addition the introduction of the new IMU property tax, much higher than the previous ICI property tax, significantly impacted all asset values calculated under yield methods such as the DCF.

Against this background it is difficult to anticipate, at least in the short-term period, that the Group development projects and other real estate initiatives can result in the full recovery of investments.

These problems are also compounded by significant over-supply in the services sector between demand and offer, with prolonged selling periods and increased requests for discounts by operators.

Finally, the risk perception by investors continues to remain high and which has resulted in a reduction by valuers in the expected yields for vacant buildings or development projects and an increase in the discount rate and of the exit yield in the DCF models utilised for the valuation of assets, with a consequent reduction in the market value in the properties.

Finally, we report that the valuation of the real estate assets in 2012 was awarded to the same independent expert utilised in 2011 in order to ensure methodological continuity, an important factor considering the difficulties in the market. In particular, the property portfolio of the Fondiaria SAI Group reports a reduction in the market value of 25.8% between the end of 2010 and the end of 2012 (16.2% in 2012). A similar decline was reported over recent years also for the Italian property market as a whole.

During the year, the rental income from investment property amounted to approx. Euro 88 million (Euro 88 million in 2011).

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 5 buildings of Tikal Fund, Immobiliare Fondiaria-SAI Group 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 fully consolidates all the Companies of the Group, including those which undertake dissimilar activities. The account includes, in addition to the investments in associated companies valued at equity, the book value of some subsidiaries which are not significant in terms of size and nature of activities, for a true and fair view of the consolidated financial statements.

For further details reference should be made to the Annex concerning investments in non-consolidated subsidiaries.

(values in Thousands of Euro)	31/dec/2012	31/dec/2011	Change
Subsidiaries	1,433	1,642	(209)
Associates	124,583	115,153	9,430
Total	**126,016**	**116,795**	**9,221**

The table below sets forth the most significant investments in associates:

(importi espressi in €mil.)	31/12/2012	31/12/2011	Variazione
Garibaldi S.C.A.	70,3	56,1	14,2
Fin. Priv. S.r.l.	20,1	20,5	(0,4)
Isola S.C.A.	12,8	11,1	1,7
Altre	21,4	27,5	(6,1)
Totale	**124,6**	**115,2**	**(9,4)**

The loss recognised in the income statement due to the valuation of the investments in associated companies was Euro 19 million.
The loss includes Euro 8.7 million on the investment held in Fin. Priv. S.r.l. for which the principal asset held is represented by shares in Mediobanca. It was considered appropriate, in line with that for the shares directly held in Mediobanca, to recognise to the income statement the pro quota adjustments on the net equity of Fin. Priv. S.r.l., in relation to the market price of the above-mentioned shares.
The value of the investments held in Garibaldi S.C.A. and Isola S.C.A. are prevalently represented by profit participation 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

The account amounts to Euro 718,119 thousand (Euro 599,713 thousand at December 31, 2010) and is broken down by debt securities.

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 group has the intention and capacity to hold until maturity.

The category only includes financial instruments from the Life insurance sector held for policies with a specific provision as defined by the current sector regulations.

This account includes listed securities whose current value amounts to Euro 766,095 thousand.

4.4 Loans and receivables

The amount amounts to Euro 3,527,030 thousand (Euro 3,688,865 thousand at December 31, 2011) and is broken down as follows:

(values in Thousands of Euro)	**31/dec/2012**	**31/dec/2011**	**Change**
Receivables to banks for interbank deposits and to bank customers	521,558	665,462	(143,904)
Debt securities	2,422,383	2,465,849	(43,466)
Loans on Life insurance policies	39,017	44,140	(5,123)
Deposits received from reinsurers	22,358	24,895	(2,537)
Receivables from incoming agents for payback and compensation to ceased agents	243,385	238,569	4,816
Other loans and receivables	278,329	249,950	28,379
Total	**3,527,030**	**3,688,865**	**(161,835)**

Due from banks include the deposits of the subsidiary BancaSai with other credit institutions for Euro 2,853 thousand (Euro 29,147 thousand at December 31, 2011), and loans to the clients of the banks for Euro 518,706 thousand (Euro 636,315 thousand at December 31, 2011).

The account debt securities includes:

- the book values of some issuers (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 Euro 1,511 thousand (Euro 1,541 thousand at December 31, 2011), 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: mainly assisted by subordination clauses and transferred to this category in 2009. There were permanent losses in value recognised of Euro 16.2 million (Euro 17.8 million at December 31, 2011) and the effect of the amortised cost resulted in the recognition in the income statement of gains of Euro 9,656 thousand. The AFS reserve recorded on these securities as of January 1, 2009 was negative and amounted to Euro 75,222 thousand and is amortised in accordance with the provisions of IAS 39. The residual negative AFS reserve amounts to Euro 33,386 thousand.
For further details on the classification refer to the section Accounting Principles.

The account "Other loans and receivables" principally includes Euro 223.9 million (Euro 221.5 million at December 31, 2011) of customer loans held by the subsidiary Finitalia.

The book value of the securities in this category at December 31, 2012, calculated in accordance with the amortised cost criteria, is Euro 94 million lower (Euro 332 million above 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 unit funds, 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:

(values in Thousands of Euro)	31/dec/2012	31/dec/2011	Change
Equity instruments	910,474	1,167,836	(257,361)
UCITs	639,254	801,948	(162,694)
Debt securities	19,306,788	15,636,678	3,670,110
Other financial investments	-	2,095	(2,095)
Total	**20,856,516**	**17,608,557**	**3,247,959**

Equity securities include listed securities for Euro 679 million, while debt securities include listed securities for Euro 19,267 million.

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:

(values in Thousands of Euro)	% of interest (1)	Carrying amount 2012	Carrying amount 2011
Assicurazioni Generali S.p.A.	0.00	0	191,718
Unicredit S.p.A.	0.18	37,639	39,392
Gemina S.p.A.	4.185	67,282	36,162
Mediobanca S.p.A.	3.834	153,750	145,667
Monte dei Paschi S.p.A.	0.001	27	1,197
RCS S.p.A.	5.46	50,435	26,922
Pirelli & C. S.p.A.	4.482	185,393	137,827
Total		**494,526**	**578,885**
Other interests		180,747	335,638
General total		**675,273**	**914,523**

(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 in relation to that borne by Life policyholders under the shadow accounting technique) the gross amount, positive for Euro 363 million, refers to a positive component of Euro 168 million from debt securities and investment funds and a positive component of Euro 195 million from equity securities.

For the purposes of the recognition of the loss in value, in 2012 the Group has defined the conditions of a prolonged and significant reduction in the fair value, defined alternatively 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 market value continuously lower than the original book value, for a period of three years.

The criterion change did not result in any significant effects considering that the impairments already recorded in the first half of 2012 were fully confirmed.

For the AFS financial instruments which do not enter within the above-mentioned criteria, in the presence of losses on equity securities, further analytical evaluations were made in order to assess indications of impairment.

Where such analysis indicates difficulty to recover the book value, the entire negative reserve is recognised in the income statement, even if the automatic thresholds described above are not exceeded. In relation to this, the Group examined all the positions in portfolio where the losses were above Euro 1 million or where the negative AFS reserve was between 20% and 50% of the original carrying value.

Consequently for the investments which report a significant decrease in fair value (generally between 20% and 50% and therefore not included in the automatic test), the analysis of the existence of an impairment was made on the basis of a mixed valuation approach, customised on the basis of the quality and the size of the investments.

Therefore:

1. For the significant investments of the Group such as:

   - Assicurazioni Generali (entirely sold at December 31, 2012);
   - Banca Intermobiliare;
   - Mediobanca;
   - Unicredit;

   The impairment recorded in the income statement was approx. Euro 78 million. The write-down of the investment held in Mediobanca (Euro 46 million) was made based on an analytical valuation which takes into account the already mentioned commitment of the parent company Unipol Gruppo Finanziario taken with the Anti-Trust Authority.

2. For the investments not included in point 1) above but which are significant in terms of carrying value and in terms of losses, and for the investment funds, a test was performed to identify the existence of one of the qualitative requisites as per paragraph 59 of IAS 39 (and in this case the reduction in value is immediately recognised in the income statement) and, in the absence, where possible, analytical valuations were performed. In this context we also report the write-down of the investment held in Compagnia Aerea Italiana for Euro 40 million in consideration of the continued financial and economic difficulties of the investee.
   In fact, both the urgent need of recapitalisation in the investee and missed industrial targets, already considered in the impairment test made in the previous year, were considered indicators of a deterioration in the possible recovery of the investment

3. For all the other investments, due to their fragmentation and the lower amount of the related losses (as already stated or as lower than the threshold of Euro 1 million or as the negative AFS reserve is within 20% of the cost), the impairment test was performed only in the presence of one of the qualitative factors as per the above-mentioned paragraph 59.

4. For debt financial instruments, the impairment is recognised if only one of the qualitative factors listed in the above-mentioned paragraph 59 exists. For the debt securities which report a significant decrease in fair value at the reporting date, any analytical valuations is simplified as the main criteria principally concerns the probability of issuer default.

The total reduction in value for impairment relating to AFS assets amounted to Euro 188 million (Euro 341 million in 2011) and are summarised in the following table:

(values in Millions of Euro)	**2012**	**2011**
SHARES	173,6	175,6
BONDS	-	156.3
UCITs	14.6	9.5
TOTAL	**188.2**	**341.4**

Greek Sovereign debt

On 24 February 2012, the exchange offer on Greek sovereign debt was approved. It provided for every euro 1000 nominal value in Greek sovereign debt to be exchanged with:

- 20 new Greek government securities with total nominal value of Euro 315 and maturity of from 11 to 30 years;
- 2 new securities issued by the European Financial Stability Fund (EFSF), with total nominal value of Euro 150;
- Gross Domestic Product linked securities issued by Greece with a nominal value equal to the securities obtained in the exchange (Euro 315), and that will yield additional interest in case that Greece's GDP grows beyond a predetermined threshold;
- Short-term Zero Coupon securities issued by EFSF to cover interest amounts accrued on older Greek sovereign debt issues that were still unpaid on the date of the agreement.

As already indicated in the 2011 consolidated financial statemenets, Group companies have participated in this offer in relation to all securities held.

The securities received in exchange have been classified in the "held for trading" category.

During the financial year, the exposure to Greek sovereign debt, resulting from the restructuring operation, has been fully impaired.

Government debt securities issued by Portugal, Ireland, Greece and Spain

The following table breaks down the exposure of the Fondiaria SAI Group to government securities issued by other countries (the so-called Peripheral countries of the Eurozone), also recorded to AFS assets:

State	**Maturity within 12 months**	**Maturity from 1 to 5 years**	**Maturity from 5 to 10 years**	**Maturity over 10 years**	**Total Fair value (level 1)**	**AFS Reserve (gross)**	**AFS Reserve (net scado))**
(in Euro thousands)							
Spain	-	15.718	-	43.893	59.611	(11.435)	(5.079)
Portugal	-	3.976	-	-	3.976	(50)	(23)
Ireland	-	12.357	25.054	-	37.411	545	290
Italy	1.521.178	6.093.210	5.469.851	2.543.674	15.627.613	41.913	4.244
Greece	-	-	-	-	-		

Based on stock exchange prices at 26/3/2012, the gross AFS negative reserve decreased to approximately Euro -219,971 thousand.

4.6 Financial assets at Fair Value recorded through profit or loss

The breakdown is as follows:

(values in Thousands of Euro)	31/dec/2012	31/dec/2011	Change
Equity instruments	50,000	30,599	19,401
UCITs	1,104,362	636,124	468,238
Debt securities	5,153,874	8,072,935	(2,919,061)
Other financial investments	131,083	287,006	(155,923)
Total	**6,439,319**	**9,026,664**	**(2,587,345)**

The account includes financial assets designated at fair value through profit or loss of Euro 6,439,319 thousand (€ 9.026.664 thousand at 31/12/2011) and investments where the risk is borne by the policyholders and from the management of pension funds for Euro 6,335 million (Euro 8,900 million at December 31, 2011).

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.

For all the financial instruments for which no active market exists, the fair value is determined through valuation techniques based on:

- most recent transaction prices between independent parties;
- current market value of a similar instrument;
- analysis of the discounted cash flows, in which the estimated future cash flows are based on the best estimates of management and the discount rate used is linked to the market rate used for similar instruments;
- valuation models of the options.

Where the fair value cannot be measured reliably, the financial instruments are measured at cost, considered as the fair value of the amount paid for the purchase of the investment. In this case, all the transaction costs strictly attributable to the purchase are part of the investment costs.

In the determination of the fair value, the Group bases its market valuations directly on independent sources, if available, as this is normally considered the best evidence of fair value. In this case the fair value is the market price of the same financial instrument subject to valuation, taken from quotations on an active market. A market is considered as active when the quotations reflect normal market operations, readily and normally available through the Stock Exchange, listing services and brokers, and expresses the effective and normal prices in the market.

Active markets are normally considered:

- the regulated market of securities and derivatives, with the exception of the Luxembourg financial market;
- the secondary market of the investment units, expressed by the official NAV (Net Asset Value) based on which the asset management issuer must settle the units. This value may be adjusted to reflect the low liquidity of the fund, or of the time between the request date of repayment and that of the actual repayments;
- the organised exchange systems;
- some over-the-counter electronic trading circuits (e.g. Bloomberg), in the presence of some qualitative and quantitative parameters (presence of a certain number of

contributors, spread between bid and ask prices in a determined tolerance threshold range).

When a valuation is not applicable through Mark to Market, technical valuations will use information available on the market, based on the following valuation approaches:

- Comparable approach: in this case the fair value of the instrument is obtained from the prices observed on recent transactions on similar instruments in active markets;
- Model Valuation: in the absence of observable transaction prices, relating to the instrument to be valued or on similar instruments, it is necessary to adopt a valuation model based on market data:
  - the debt securities are valued based on the expected cash flow method, adjusted to take into account the issuer risk and the liquidity risk;
  - the derivative contracts are valued through several models, based on the input factors (risk rate, volatility, price risk, exchange risk, etc.) which impacts the relative valuation;
  - the non listed equity securities are valued with reference to transactions on the same security or, on similar securities observed in a defined period of time from the valuation date, based on the market multiples method of similar companies and, secondarily, through financial, profitability and asset valuation methods.

A breakdown by hierarchical level of the financial instruments valued at fair value is summarised in the table below:

(values in Thousands of Euro)	Level1	Level2	Level3	Total
Available-for-sale financial assets	20,204	22	631	20,857
Equity instruments	676	0	235	911
Debt securities	19,267	22	18	19,307
UCITs	261	0	378	639
Other available-for-sale financial investments	0	0	0	0
Financial assets at fair value through profit or loss	1,902	2,200	2,336	6,438
Equity instruments	16	0	0	16
UCITs	78	99	27	204
Debt securities	316	0	0	316
Derivative	0	7	0	7
Financial assets where the investment risk is borne by policyholders and arising out from pension funds management	1,493	2,094	2,309	5,896
Other financial instruments at Fair value through profit or loss	0	0	0	0
Total assets at fair value	**22,106**	**2,222**	**2,967**	**27,295**
Financial liabilities at Fair value through profit or loss	0	569	0	569
Liabilities from financial contracts issued by insurance companies	0	480	0	480
Derivatives	0	87	0	87
Other financial liabilities	0	2	0	2
Total liabilities at fair value	**0**	**569**	**0**	**569**

In relation to the hierarchical classification of the fair value we report that, in 2012, it was decided to consider, within the fair value levels reported above, all the securities classified in the categories Available for sale and Assets at fair value through profit and loss. Therefore a best interpretation of the standard was applied, also including the non-listed investments valued at cost.

In addition, due to the entry into the Unipol Group and for a more correct application of IFRS 7 (also following indications provided by IFRS 13) a new analysis of the requirements for the classification within the different categories of fair value was made.

In particular within level 3 the property funds and the non-listed investments were reclassified, while in relation to the investments in which the risks are borne by the policyholders in the Life Insurance Sector a more exact verification was made by means of a "look-through" approach to verify compliance with the requirements for each of the 3 categories of the fair value hierarchy.

Finally, we report that the AFS capital securities of level 3 of the fair value hierarchy includes the investment held in Bank of Italy whose valuation, made in accordance with common methodologies applied by financial analysts, determined the fair value of the investment at around Euro 138 million (Euro 120 million at December 31, 2011).

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 are regulated in accordance with Supervision Authority Provision No. 297/1996. On January 31, 2011, ISVAP issued Regulation No. 36 concerning guidelines about investments, including derivative instruments and structured securities and repealed, among other provisions, also 297/1996.

In particular, Regulation No. 36 recalls that operations in derivative financial instruments with the purpose of managing efficiency 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 hedge 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 POSITION

Fair value hedging instruments

Combined put – call options

As of December 31, 2012, the Group, through the Parent Company Fondiaria-SAI S.p.A, holds the following combined put – call option contracts with the same contractual characteristics (underlying, notional, maturity, strike):

- 19,867,831 options (average strike price of Euro 8.8293) to hedge the price risk on 19,867,831 Pirelli & C. ordinary shares of the Non-Life Insurance Sector classified under AFS equity securities and representing 93.18% of total Group exposure (93.77% of Fondiaria-SAI)
- 3,595,302 options (average strike price of Euro 4.518) to hedge the price risk on 3,595,302 Unicredit ordinary shares of the Non-Life Insurance Sector classified under AFS equity securities and representing 35.58% of total Group exposure (100% of Fondiaria-SAI).
- 3,931,000 options (average strike price of Euro 4.3339) to hedge the price risk on 3,931,000 Mediobanca ordinary shares of the Non-Life Insurance Sector classified under AFS equity securities and representing 11.90% of total Group exposure (14.53% of Fondiaria-SAI).
- 5,974,500 options (average strike price of Euro 4.4533) to hedge the price risk on

5,974,500 Mediobanca ordinary shares of the Life Insurance Sector classified under AFS equity securities and representing 18.09% of total Group exposure (22.08% of Fondiaria-SAI).

Through Milano Assicurazioni the following combined put – call option contracts with the same contractual characteristics (underlying, notional, maturity, strike):

- 6,455,262 options (average strike price of Euro 3.587) to hedge the price risk on 6,455,262 Unicredit ordinary shares of the Non-Life Insurance Sector classified under AFS equity securities and representing 63.88% of total Group exposure (99.82% of Milano Assicurazioni).
- 3,882 options (average strike price of Euro 5.2430) to hedge the price risk on 3,882 Unicredit ordinary shares of the Life Insurance Sector classified under AFS equity securities and representing 0.04% of total Group exposure (0.06% of Milano Assicurazioni).

(values in Thousands of Euro)

Derivative purchase put-sale call equity hedge	Number of options	Number of options	Company	Covering derivatives assets		Covering derivatives liabilities		Total adjustments in the carrying	
	31/12/2012	31/12/2011		31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	######
Pirelli & Co ord (Non-life insurance)	19,867,831	13,855,786	Fondiaria-SAI	2,671	-	-	401	(2,671)	401
Unicredit (Non-life insurance)	3,595,302	1,325,789	Fondiaria-SAI	2,852	2,221	-	-	(2,852)	(2,221)
Banca Popolare di Milano (Life insurance)		23,176,040	Fondiaria-SAI	-	-	-	898	-	898
Generali (Non-life insurance)		6,250,107	Fondiaria-SAI	-	-	-	1,195	-	1,195
Generali (Life insurance)		195,252	Fondiaria-SAI	-	146	-	-	-	(146)
Mediobanca (Non-life insurance)	3,931,000	-	Milano Ass.ni	-	-	1,268	-	1,268	-
Unicredit (Non-life insurance)	5,974,500	4,796,661	Milano Ass.ni	-	7,480	1,213	-	1,213	(7,480)
Generali (Non-life insurance)	6,455,262	5,091,014	Milano Ass.ni	-	-	889	1,249	889	1,249
Generali (Life insurance)		1,726,376	Milano Ass.ni	-	2,495	-	-	-	(2,495)
Banca Popolare di Milano (Life insurance)		9,376,040	Milano Ass.ni	-	-	-	386	-	386
Unicredit (Life insurance)	3,882	3,882	Milano Ass.ni	6	6	-		(6)	(6)
Total				**5,529**	**12,348**	**3,370**	**4,129**	**(2,159)**	**(8,219)**

The fair value of the options at December 31, 2012 corresponds to total assets of Euro 2,159 thousand (total assets of Euro 8,219 thousand at December 31, 2011). From the inception date of the hedge, the positive and negative changes in the period deriving from the fair value valuation of the options are recognised in the Income Statement in the account: "Income and charges from financial assets designated at fair value through profit or loss". Similarly, the carrying value of the hedged assets are adjusted for changes in the fair value in the period of the shares hedged, with changes recognised in the Income Statement in the account "Income and charges from financial instruments at fair value through profit or loss". In 2012 the options value decreased by Euro 6,060 thousand due to the fair value relating to the options held at December 31, 2012, perfectly offset by the increase in the period in the fair value of the shares hedged. The fair value hedges through options were evaluated to be efficient and at December 31, 2012 there were no items not effectively hedged and which should be recognised in the income statement.

Interest Rate Swap

As of December 31, 2012, 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 Euro 25 million. The valuation at December 31, 2012 of IRS hedges corresponds to a negative fair value of approx. Euro 912 thousand

(Euro 891 thousand negative fair value at December 31, 2011).

The principal contractual conditions of these IRS are illustrated below:

(in Euro thousands)

Company	Notional	Maturity	Fixed rate %	Variable rate	Fair value 31/12/2012	Fair value 31/12/2011
BancaSai	25.000	2-Feb-14	3,050	Euribor 6 m Act/360	(912)	(891)
Total	**25.000**				**(912)**	**(891)**

Cash Flow hedge instruments

Interest Rate Swap

Against cash flow hedges, on December 31, 2012, the Group held Interest Rate Swap (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.
The notional value of these instruments amounted to Euro 1,125 million (Euro 1,125 million at December 31, 2011).
The fair value of the IRS designated Cash Flow Hedges at December 31, 2012 amounts to a liability of Euro 72 million (liability of Euro 51 million at December 31, 2011). The shareholders' equity reserve which includes a negative fair value of the hedge instruments at December 31, 2012, net of the share of minority interests and the tax effect, was negative and amounts to Euro 47 million (negative reserve of Euro 35 million at December 31, 2011).

The principal contractual conditions of these IRS are illustrated below:

(values in Thousands of Euro)

Company	Notional	Maturity	% Fixed rate	Variable rate	Equal value at 31/12/2011	Equal value at 31/12/2010
Fondiaria-SAI S.p.A.	200,000	23/jul/2013	3.970	Euribor 6 months	(3,953)	(7,993)
Fondiaria-SAI S.p.A.	100,000	23/jul/2013	3.930	Euribor 6 months	(1,954)	(3,935)
Fondiaria-SAI S.p.A.	100,000	23/jul/2013	3.990	Euribor 6 months	(1,987)	(4,027)
Fondiaria-SAI S.p.A.	150,000	14/jul/2016	3.180	Euribor 6 months	(13,908)	(9,915)
Fondiaria-SAI S.p.A.	100,000	30/dec/2015	3.080	Euribor 6 months	(7,796)	(5,900)
Fondiaria-SAI S.p.A.	100,000	14/jul/2018	3.309	Euribor 6 months	(13,360)	(7,963)
Fondiaria-SAI S.p.A.	150,000	14/jul/2018	2.145	Euribor 6 months	(10,483)	(1,407)
Milano assicurazioni	50,000	14/jul/2016	3.180	Euribor 6 months	(4,637)	(3,306)
Milano assicurazioni	100,000	14/jul/2018	2.350	Euribor 6 months	(8,111)	(2,085)
Tikal R.E.	25,000	30/dec/2016	3.185	Euribor 6 months	(2,399)	(1,788)
Tikal R.E.	30,000	30/dec/2016	3.140	Euribor 6 months	(2,829)	(2,080)
Marina di Loano	20,000	31/dec/2014	2.550	Euribor 3 months 30/360	(510)	(666)
Total	**1,125,000**				**(71,926)**	**(51,065)**

Derivatives not designated as hedging instruments

The Group does not hold derivative contracts on currencies to hedge transactions and future cash flows, as the overall currency risk exposure is not significant and is covered through the mechanism of natural hedges between assets and liabilities in foreign currencies.

Credit Default Swaps

As of December 31, 2012 the Group, through the parent company Fondiaria-SAI S.p.A., held Credit Default Swap contracts to cover the risks of insolvency of counterparty issuers of financial instruments acquired by the Group.
The cost of these hedges amounted to Euro 748 thousand and were recognised in the Income Statement as interest expense.
As of December 31, 2012 the following Credit Default Swaps are still in place:

(values in Thousands of Euro)

Company	Notional	Maturity	Counterpart	Covered issuer	Cost	Fair value at 31.12.2011
Fondiaria-SAI S.p.A.	25,000	20-feb-13	Morgan stanley	Republic of Serbia	295,2 bps per year	(36)
Total	**25,000**					**(36)**

Interest Rate Swap

At 31/12/2012, the following open Interest Rate Swap contracts were included with non-hedge transactions:

(values in Thousands of Euro)	Notional	Maturity	% Fixed Rate	Variable rate	Equal value 31/12/2012	Equal value 31/12/2011
Premafin HP S.p.A.	12,500	31/dec/2013	3.654	Euribor 3 months 30/360	(393)	(623)
Premafin HP S.p.A.	12,500	31/dec/2013	2.805	Euribor 3 months 30/360	(286)	(527)
Premafin HP S.p.A.	12,000	31/dec/2014	3.050	Euribor 3 months Act/360	(493)	(651)
Total by Company	**37,000**				**(1,172)**	**(1,801)**

CLOSED POSITIONS

Fair value hedging instruments

During 2012, Fondiaria-SAI closed in advance some put/call options designated as partial investment hedges on strategic shares realising total gains of Euro 274 thousand (Life Class options on Generali for Euro 153 thousand, on BPM for Euro 121 thousand) and losses for Euro 29,329 thousand (Non-Life Class options on Pirelli&C. ord. for Euro 26,231 thousand, on BPM for Euro 2,180 thousand, on Mediobanca for Euro 903 thousand and options on Life Class Generali for Euro 15 thousand). The differences between premiums paid and premiums received during the year were recorded under gains to be realised for Euro 150 thousand and losses to be realised for Euro 13,036 thousand.

In relation to Milano Assicurazioni, the net gains realised on these types of options amounted to Euro 3,209 thousand, of which on Generali options closed with a gain of Euro 4,425 thousand and on BPM options closed with a loss of Euro 1,234 thousand.

Non-hedging derivatives

Cash Settled Bond Forward Transaction

During 2012 the Group signed "Cash Settled Bond Forward Transaction" contracts in order to take advantage of an increase in the credit spread of 10 year Italian and Spanish government bonds compared to German bonds of the same duration. Against the advanced closure Fondiaria-SAI recorded a gain to be realised of Euro 411 thousand and a loss to be realised of Euro 115 thousand; Milano Assicurazioni recorded a gain to be realised of Euro 347 thousand and a loss to be realised of Euro 115 thousand.

Equity swap

As stipulated in the Debt Restructuring Agreement, Premafin carried out the early termination of the equity swap contract in place with Unicredit, through the acquisition by the Company 34,736 of the underlying ordinary shares (3,473,628 shares prior to the reverse share split which occured on 2 July 2012) in Fondiaria-SAI, and through the concurrent assumption of a debt obligation towards the hedging counterparty (UniCredit) amounting to Euro 45,527.9 thousand together with capitalised borrowing costs of Euro 987.6 thousand. This resulted in the derecognition of the financial liability at fair value through profit or loss, which was recognised in the 2011 financial statements at an amount of Euro 43,376 thousand, representing the difference between spot price and the equity swap contract's strike price.

Earn out

On the entering into force of the Debt Restructuring Agreement, the contractual agreement with UniCredit that provided for payment of a premium if predetermined conditions were satisfied, ceased to apply. This resulted in the termination of financial liabilities at fair value through profit or loss that amounted to Euro 240.0 thousand in the 2011 financial statements.

Interest Rate Swap

(in Euro thousands) (in Euro thousands)

Company	Notional	Expiry	Variable rate paid	Variable rate received
BancaSai	97,562	31-Oct-47	Euribor 6 m act/360+7bps	Euribor 6 m act/360
BancaSai	11,950	31-Oct-47	Euribor 6 m act/360+7bps	Euribor 6 m act/360
Total	**109,512**			

During 2012, two I.R.S. were closed with the payment to Banca Akros of Euro 620 thousand; the loss of Euro 24 thousand was recognised in the income statement.

At December 31, 2012, among the operations not hedged the following Interest Rate Swaps expired:

(in Euro thousands)

Company	Notional	Expiry	Fixed rate %	Variable rate
Immobiliare Milano	3,571	31-Dec-12	3.770	Euribor 6 m 30/360
Immobiliare Milano	3,571	31-Dec-12	3.695	Euribor 6 m 30/360
Total	**7,142**			

Call and Put options on securities and indices

During 2012 purchase and sale contracts of call and put options on securities and indices were closed.

Fondiaria-SAI recorded a gain to be realised of Euro 604 thousand and a loss to be realised of Euro 782 thousand; Milano Assicurazioni recorded a gain to be realised of Euro 474 thousand and a loss to be realised of Euro 231 thousand.

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

(values in Thousands of Euro)	31.12.12	31.12.11	Change
Receivables arising out of direct insurance operations	1,322,826	1,698,430	(375,604)
Receivables arising out of reinsurance operation	64,750	78,637	(13,887)
Other receivables	704,940	572,119	132,821
Total	**2,092,516**	**2,349,186**	**(256,670)**

The Group considers that the carrying 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 regulated with the relevant Tax Authorities on a monthly basis.

(values in Thousands of Euro)	31.12.12	31.12.11	Change
Receivables to insured arising out of current period premiums	639,299	746,052	(106,753)
Receivables to insured arising out of previous periods premiums	11,429	32,656	(21,227)
Receivables to insurance intermediaries	441,273	639,447	(198,174)
Receivables from insurance companies	111,961	132,193	(20,232)
Amounts to be recovered from insured and from third parties	118,864	148,082	(29,219)
Total	**1,322,826**	**1,698,430**	**(375,605)**

With reference to receivables from policyholders for premiums, agents and other intermediaries, as well as insurance and reinsurance companies, the Group does not have 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 Euro 64,022 thousand (Euro 76,714 thousand at December 31, 2011) of receivables from insurance and reinsurance companies for reinsurance operations and Euro 728 thousand (Euro 1,923 thousand at December 31, 2011) from reinsurance intermediaries. During the year no significant write downs were made on reinsurance assets.

The account Other receivables amounts to Euro 703.4 million compared to Euro 563.7 million at December 31, 2011.

The increase in the account is due to the reclassification of the debtor positions, net of the write-downs, of receivables of companies of the Fondiaria SAI Group following the bankruptcy, declared on June 14, 2012, of the previous related parties Im.Co and Sinergia. The amount recorded totals Euro 86.3 million and refers to receivables for real estate projects in course configured contractually as the purchase of future assets. These receivables, without guarantees, were recorded under "Investment property" in the previous year. The write-down recognised in the income statement amounts to Euro 62 million. In fact, the above-mentioned operations provided for the companies of the Group to become owners of the buildings once they were completed.

The other receivables include trade receivables of Euro 77,192 thousand, principally comprising receivables from customers (Euro 64,894 thousand at December 31, 2011), as well as receivables from Tax Authorities for Euro 309,801 thousand for amounts requested for repayment, VAT receivables and payments on account for tax insurances as per Legislative Decree 282/04 (Euro 346,934 thousand at December 31, 2011).

Other receivables also include Euro 53,950 thousand against cash collateral as guarantee of market losses on all derivatives in place (Credit Support Annex), as follows: Royal Bank of Scotland Euro 23,910 thousand, Unicredit Euro 14,720 thousand, Morgan Stanley Euro 290 thousand, JP Morgan Euro 1,020 thousand, Unione di Banche Svizzere Euro 11,470 thousand, Banca IMI Euro 1,630 thousand and Mediobanca Euro 910 thousand.

The account also includes receivables from the sale of the building Località Castel Giubileo in Rome for Euro 14 million and Euro 26 million of receivables from Carlyle Real Estate SGR S.p.A. which represents the residual price still to be received for the sale of the building at Piazza S. Maria Beltrade No. 1 in Milan, of which Euro 12 million due at the end of 2013 and Euro 14 million at the end of 2014, in addition to related interest.

6. OTHER ASSETS

The total amount of the account is Euro 1,534,664 thousand (Euro 1,803,838 thousand in 2011) and decreased by Euro 269,174 thousand compared to the previous year.

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Change**
Non-current assets or disposal groups classified as held-for-sale	3,335	87,151	(83,816)
Deferred acquisition costs	52,250	30,301	21,949
Deferred tax assets	954,433	1,155,062	(200,629)
Current tax assets	299,535	316,587	(17,052)
Other assets	225,111	214,737	10,374
Total	**1,534,664**	**1,803,838**	**(269,174)**

6.1 Non-current assets or of a discontinued group held for sale

The amount recorded, of Euro 3.3 million, refers to the property owned by the subsidiary Auto Presto and Bene. At December 31, 2011 the account included Euro 85.3 million for the investment in IGLI S.p.A, which was sold in 2012.

6.2 Deferred acquisition costs

Insurance deferred acquisition costs, amounting to Euro 52,250 thousand (Euro 30,301 thousand at December 31, 2011), principally refer to the acquisition commissions to be amortised on the long-term contracts in the Non-Life and Life insurance sectors. 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, for a period not greater than ten years. The change in the accounting principle, relating only to the Non-Life Classes, relates to the accounting of the costs on the accruals basis rather than the general prudence principle applied up to the end of the previous year.

It is recalled that in previous years the acquisition commissions of the Non-Life Classes were no longer capitalised due to a different remuneration policy of the sales network, against the abolition of the long-term contracts.

The impact of the change in the accounting principle is approx. Euro 19 million before tax.

In accordance with IFRS 4.IG39 the table below shows the changes in these costs in the year::

	31.12.11			31.12.10
(values in Thousands of Euro)	Non-life insurance	Life insurance	Total	Total
Values at the beginning of the Period	-	30,301	30,301	87,603
Period increases	28,172	13,769	41,941	9,245
Period/Year depreciation (-)	(8,861)	(11,131)	(19,992)	(65,602)
Impairment losses of the period (-)	-	-	-	(930)
Other changes	-	-	-	(15)
Value at the end of the Period	**19,311**	**32,939**	**52,250**	**30,301**

6.3 Deferred tax assets

Deferred tax assets amounts to Euro 954,433 thousand (Euro 1,155,060 thousand at December 31, 2011) 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 the end of the year takes into account the compensation made, by each of the Group companies, with the corresponding deferred tax liabilities, in accordance with IAS 12.

It is highlighted that Legislative Decree 98/2011 amended Article 84 of the Consolidated Finance Act establishing the possibility to carry forward tax losses indefinitely. This change, together with the reasonable possibility to recover the losses, as resulting from recent internal projections made by management, permits the recognition of the deferred asset.

In addition to the disclosures required by IAS 12 – Income taxes, the following table provides the changes in deferred taxes.

(in Euro thousands)	Fondiaria-SAI	Milano Ass.ni	Popolare Vita	Other	Total
Net deferred taxes					
Opening balance	**644,296**	**345,899**	**61**	**31,352**	**1,021,608**
Tax change with net equity impact					
Tax loss	(63,730)	-	-	-	(63,730)
Write-down receivables from policyholders for premiums	(16,853)	-	-	-	(16,853)
Employee benefits	2,065	2,223	-	236	4,524
Provisions, contingent liabilities and contingent assets	734	-	-	374	1,108

Goodwill and other intangible assets	23,188	2,705	-	6	25,899
AFS Reserve	(305,064)	(154,320)	(158,731)	(10,347)	(628,462)
Financial instruments	3,383	1,427	-	1,235	6,045
Technical life provisions	150,215	35,964	67,353	781	254,313
Other temporary changes	3,065	(11,385)	-	226	(8,094)
Total changes	**(202,997)**	**(123,386)**	**(91,378)**	**(7,489)**	**(425,250)**
Tax charge with P&L impact					
Tax loss	(20,158)	(20,301)	-	635	(39,824)
Write-down receivables from policyholders for premiums	10,581	(12,870)	-	119	(2,170)
Write-down of other receivables	8,053	33,821	-	(2)	41,872
Properties and investment property	26,611	2,487	-	1,145	30,243
Employee benefits	(318)	2,172	-	64	1,918
Provisions, contingent liabilities and contingent assets	(4,187)	(16,632)	(114)	(204)	(21,137)
Goodwill and other intangible assets	(10,680)	(363)	19	(59)	(11,083)
AFS Reserve	0	(6,856)	-	(1)	(6,857)
Financial instruments	53,902	36,466	65,408	18,882	174,658
Non-Life technical provisions	18,697	(1,089)	-	(282)	17,326
Technical life provisions	9,321	1,605	128,152	-	139,078
Other temporary changes	(7,351)	(6,191)	(130,367)	(232)	(144,141)
Total change with P&L impact	**84,471**	**12,249**	**63,098**	**20,065**	**179,883**
Change with only equity impact	-	56,107	(52,050)	54	4,111
Total changes	**84,471**	**68,356**	**11,048**	**20,119**	**183,994**
Closing balance	**525,770**	**234,762**	**(28,219)**	**43,928**	**776,241**
of which:					
Total deferred tax assets	**-**	**-**	**-**	**-**	**954,429**
Total deferred tax liabilities	**-**	**-**	**-**	**-**	**(178.189)**

6.4 Tax receivables

The tax receivable assets, amounting to Euro 299,535 thousand (Euro 316,587 thousand at December 31, 2011), refer to the financial receivables for payments on account and withholding taxes.

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 the end of the year 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 of the Group and by the Parent Company on behalf of the companies which are included in the tax consolidation, settling 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 Euro 225,091 thousand (Euro 214,720 thousand at December 31, 2011) and comprise:

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Changes**
Reinsurance transitory accounts	3,528	5,049	(1,521)
Deferred commission expenses arising out of investment management services of Life insured	55	1,168	(1,113)
Inspection on tax downpayment on Mathematical provisions D.L. 209/03	68,242	52,676	15,566
Amounts paid to agents not applied in payback	24,022	24,653	(631)
Other assets	129,244	131,191	(1,947)
Total	**225,091**	**214,737**	**10,354**

7. CASH AND CASH EQUIVALENTS

The account amounts to Euro 569,817 thousand (Euro 1,004,105 thousand at 31/12/2011).

It includes the liquidity held by the Group and deposits and bank current account 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 lower duration of the restrictions on the deposits.

BALANCE SHEET - SHAREHOLDERS' EQUITY & LIABILITIES

1. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity, amounting to Euro 2,395,681 thousand, includes the result for the year and minority share, and increased by Euro 1,121,266 thousand compared to 2011.

In this regard, we report both the figures for the 2011 financial statements originally published and the "IAS Restated" figures taking account of CONSOB Decision No. 18431 of December 21, 2012 concerning the non-compliance of the 2011 financial statements.

The total shareholders' equity remains unchanged and the restatement only related to a reduction in the 2011 loss of Euro 339 million and a reduction of a similar amount of retained earnings and other capital reserves.

For further information on the restatement of the 2011 figures reference should be made to the first part of the present Report.

The table below sets forth the changes in the year:

(values in Thousands of Euro)	31.12.12	31.12.11 IAS 8 restated	31.12.11
EQUITY	**2,395,681**	**1,274,415**	**1,121,266**
attributable to the owners of the Parent	**187,556**	**(32,065)**	**(32,065)**
Share capital	480,983	410,340	410,340
Other capital instruments	-	-	-
Capital reserves	(2,352)	21	21
Retained earnings and other reserves	(17,450)	(74,827)	664
(Own shares)	(43,183)	(43,183)	(43,183)
Reserve arising out of net exchange differences	(17,485)	(14,985)	(14,985)
Gains or losses on available-for-sale financial assets	68,246	(127,658)	(127,658)
Other gains or losses directly recorded in equity	2,404	6,332	6,332
Period/Year gain (loss) attributable to the owners of the Parent	(283,607)	(188,105)	(263,596)
attributable to non-controlling interests	**2,208,125**	**1,306,480**	**1,306,480**
Share capital and reserves	2,658,064	2,416,683	2,680,192
Gains and losses directly recorded in equity	148,642	(600,207)	(600,207)
Period gain (loss) attributable to non-controlling interests	(598,581)	(509,996)	(773,505)

Share capital

The fully issued and paid up share capital is made up of 410,340,220 listed ordinary shares with no par value and of 1,741,239,877 unlisted shares with no par value.

	Ordinary
Shares at 1 January 2012	410,340,220
Outstanding shares: existences at 1 January 2012	410,340,220
Increases:	
Increase of share capital (dedicated)	1,741,239,877.0
Outstanding shares at 31 December 2012	**2,151,580,097**

Nature and purpose of other reserves

Retained earnings and other reserves comprise equity reserves in Premafin's individual financial statements (refer to the notes to Premafin's separate financial statements for information on movements thereof), together with the consolidation reserve.

1.1.5 Own Share

This item amounts to Euro 43 million (Euro 43 million at 31/12/2011) and includes the carrying value of equity instruments of parent company Premafin that are held by other Group companies; in particular an amount of Euro 30.8 million were held by Fondiaria-SAI and Euro 12.2 million were held by Milano Assicurazioni S.p.A.

This item is in negative, in accordance with the provisions of IAS 32.

No gains or losses were recognised in the income statement from trading transactions carried out during the year.

1.1.6 Reserve for currency translation differences

The balance is a negative amount of Euro 17,485 thousand (negative of Euro 14,985 thousand at December 31, 2011) and includes the currency translation differences due to the conversion of the foreign subsidiaries financial statements into Euro.

1.1.7 Unrealised gain or loss on AFS financial assets

The account is negative for Euro 68,246 thousand (Euro -127,685 thousand at December 31, 2011) 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 Euro 363.3 million (Euro -1,266.7 million at December 31, 2011) relating to the AFS financial instruments in portfolio and a negative amount of Euro 79.9 million relating to the application of the shadow accounting technique (Euro 525.8 million at December 31, 2011). The account includes Euro 25.8 million (negative) relating to the tax effects of the two matters described above (Euro 69.3 million at December 31, 2011).

1.1.8 Other unrealised gains and losses recorded directly in equity

The account, amounting to Euro 2.0 million Euro -47.4 million related to gains or losses on cash flow hedging instruments, in addition to Euro 53.6 million of reserves for the reversal of gains realised on the partial sale of investments.

In fact, as illustrated in the accounting principles, the transactions of the shares of subsidiaries and which do not result in the loss or acquisition of control do not impact on 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 Minority interest shareholders' equity

Minority interest shareholders' equity, including the result for the year, reports a decrease of Euro 901.6 million due to the negative stock market prices during 2012 and reflected in the reserve for gains/losses on AFS financial assets.

Reference should be made to the consolidated statement of changes in shareholders' equity.

Reconciliation between the financial statements of the Parent Company and the Consolidated Financial Statements

The table below sets forth the reconciliation between the shareholders' equity and result for the year of the Parent Company and of the Group as per Consob Communication No. 6064293 of July 28, 2006.

(values in Thousands of Euro)	Period's result 31.12.12	31.12.11 IAS 8 restated	31.12.11
Premafin HP Period result under the Italian accounting standards	**(51,836)**	**(440,280)**	**(440,280)**
Ias 38 "Intangible assets"	(3,422)	-	-
- Goodwill			
- Other intangible assets	(3,422)		
Ias 19 "Employee benefits"	12	51	51
Ias 37 "Provisions, contingent liabilities and contingent assets"	641	(123)	(123)
- Provisions for liabilities	641	(123)	(123)
Ias 39 "Financial instruments"	(4,830)	293	293
- Financial assets			
- Financial liabilities	(4,830)	293	293
Stock options			
Fiscal effect on Ias/Ifrs adjustments			
Premafin HP Period result under the Ias/Ifrs	**(59,435)**	**(440,059)**	**(440,059)**
Consolidation adjustments:			
Period gain (loss) of the subsdiaries which are consolidated:			
- line by line	(447,582)	(502,429)	(502,429)
- with the Equity Method	(7,230)	(8,717)	(8,717)
Group accounting standards application, foreign currency financial statements conversion and various	(31,963)	(9,405)	(9,405)
VOBA's depreciation	(267,097)	(108,197)	(108,197)
Elimination of intercompany transactions:			
- Intercompany dividends	(75,334)	(14,945)	(14,945)
- Other intercompany transactions	4,754	38,044	38,044
- Consolidation adjustments fiscal effects	1,698	8,608	8,608
Consolidated result under the IAS/IFRS	**(882,189)**	**(1,037,100)**	**(1,037,100)**
2011 data re-exposition impact		399,000	
Non-controlling interests	**(598,581)**	**(509,995)**	**(773,504)**
Group's result under the Ias/Ifrs standards	**(283,608)**	**(188,105)**	**(263,596)**

(values in Thousands of Euro)	Equity 31.12.12	31.12.11 IAS 8 restated	31.12.11
Premafin HP S.p.A. equity under the Italian accounting standards	**429,147**	**141,441**	**141,441**
Ias 38 "Intangible assets"	(5,774)	0	0
Ias 19 "Post Employment Benefits"	(80)	(50)	(50)
Ias 37 "Provisions, contingent liabilities and contingent assets"	1,057	416	416
Ias 39 "Financial Instruments"	0	4,830	4,830
Financial assets	0	0	0
Financial liabilities	0	4,830	4,830
Ifrs 2 "Share - based payments"	0	0	0
Fiscal effect on Ias/Ifrs adjustments			
Premafin HP S.p.A. equity under the Ias/Ifrs	**424,350**	**146,637**	**146,637**
Period/Year results and differences between carrying value and equity of the subsidiaries consolidated:			
- line by line	2,095,514	1,286,758	1,286,758
- with the equity method	3,386	(9,218)	(9,218)
Elimination of intercompany transactions:			
- Intercompany dividends	(253)	4,945	4,945
- Other intercompany transactions	(146,686)	(193,391)	(193,391)
- Application of group accounting standards	60,880	70,695	70,695
- Foreign currency financial statement conversion effect	(9,198)	(174)	(174)
- Consolidation adjustments fiscal effect	10,871	11,346	11,346
- Own shares elimination	(43,183)	(43,183)	(43,183)
Consolidated Equity under the IAS/IFRS	**2,395,681**	**1,274,415**	**1,274,415**
2011 data re-exposition impact		399,000	
Non-controlling interests	**2,208,125**	**1,306,480**	**1,306,480**
Group equity under the Ias/Ifrs	**187,556**	**(32,065)**	**(32,065)**

2.PROVISIONS FOR RISKS AND CHARGES

The account amounts to Euro 323,583 thousand (Euro 337,122 thousand at 31/12/2011) and comprises:

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Change**
Provisions related to fiscal aspects	212	160	52
Other provisions	323,370	336,962	(13,591)
Value at the end of the period	**323,582**	**337,122**	**(13,539)**

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:

(values in Thousands of Euro)	Planning fees	Controversy not related to taxes	Employees' costs	Non-recoverable paybacks from intermediaries	Other expenses	Total
Book value at the beginning of the Period	**4,514**	**161,606**	**44,345**	**41,013**	**85,644**	**337,122**
Period increases	-	66,635	6,415	7,744	12,854	93,648
Utilization of the period	-	(487)	(10,326)	-	(71,195)	(82,008)
Reclassification	-	-	(22,478)	-	(2,200)	(24,678)
Changes for financial charges matured or changes in rate	-	(713)	-	-	-	(713)
Book value at the end of the Period	**4,514**	**227,041**	**17,956**	**48,757**	**25,103**	**323,371**

With reference to the other provisions, further information is provided below.

Claims other than taxes

The provision includes the best possible estimates made by the Group to meet disputes with agents, policyholders, personnel and third parties.

Total provisions are adequate with respect to the estimated charges consequent of the total legal disputes to 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 are not such as to discount the amounts. The net effect in the income statement of the discounting made was a negative amount of Euro 0.1 million and is consequent of 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.

Writ of summons by shareholders of subsidiary Fondiaria-SAI

Since 2003 certain shareholders of La Fondiaria Assicurazioni S.p.A. intiated legal proceedings to seek, albeit on the basis of different assumptions and for different legal reasons, compensation for damages which, they claim, relate to the failure by SAI Società Assicuratrice Industriale S.p.A. to launch a public offer upon the incorporation of La Fondiaria Assicurazioni S.p.A. in December 2002.

To date, a total of thirteen proceedings are pending against Fondiaria-SAI and Mediobanca Banca di credito Finanziario S.p.A. ("Mediobanca") as defendants. Premafin is a defendant in nine of the proceddings,

is an analysis of degree of judgment:

- one claim is at first instance before the Court of Milan;
- five judgements are awaiting judgement in the Court of Appeal of Milan, two of which have been deferred;
- one judgement is pending in the Court of Appeal of Florence;
- one proceeding is pending the termination of the period within which the counterparty may appeal to the "Corte di Cassazione";
- four judgements are pending before the Supreme Court;
- one judgement must be resumed in the Court of Appeal following a ruling of the Supreme Court,

In respect of the judgements it is noted that:

- all first-instance decsions (with the exception of the one issued by the Court of Florence in favour of the defendant companies) have, for different reasons, upheld the plaintiffs' claims and ordered the defendants to pay substantial sums in damages. On Appeal, execution of sentences was suspended for all (except two) sentences;
- at present, all decisions issued by the Court of Appeal of Milan upheld the appeals lodged by Fondiaria-SAI, MedioBanca and Premafin, overturning the first-instance judgments and ordering the counterparties to cover costs and, in the two cases in which the sentences had not been suspended, the restitution of the sums received;
- the "Corte di Cassazione" in the three judgements given in August 2012, upheld the appeals, quashed the judgment of second instance, and referred the cases to the Court of Appeal of Milan to reconsider their merits and decide on costs of proceedings.

The three recent judgements of the "Corte di Cassazione" mark a new and different approach in respect of the Supreme Court's rights with regard to the arguments brought about by the defendant companies, which to date had been consistently shared by the Court of Appeal. The three judgements of the "Corte di Cassazione" have in fact established the principle of law that, in the event of breach of the obligation to make a public offer by those who - as a result of acquisitions – become a shareholder of more than 30% of the share capital, responsibility rests with the shareholders to whom the public offer should have been addressed to prove that they missed an opportunity to make a gain.

Despite the uncertainty that typically characterises the outcome of judgements laid before the Court of Appeal of Milan, which must reconsider the merits of the claim, both by establishing whether in February 2002, the three defendants acted together and had cumulatively exceeded the public offer threshold of 30%, as well as assessing if appropriate, the existence and amount of damages; the Company took into consideration the pronouncement of the Supreme Court and conducted assessments to quantify the degree of risk of an adverse outcome together with claims that have not resulted in litigation to date.

Given these circumstances, the Company and the Group, together with their lawyers have worked out analytical estimates of the possible outcomes of the said judgements, taking into account the most recent legal developments that took place, and have estimated total liabilities of Euro 87.4 million, which led to an increase of Euro 36.9 million in the provision for risks.

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

In relation to the dispute with the "Comune di Milano," concerning a commitment to sell land at predetermined prices, one is to note that in May 2008 the Court of Appeal had partially reversed the first instance judgement, by which the Company was condemned to compensate for damages caused by the failure to acquire the land, by deciding that only two of the agreements constituted binding preliminary purchase agreements for the respective areas under dispute, and by confirming the basis for quantification of damages to be paid in a separate trial. In this regard, again in 2008, the Company proceeded to lodge an appeal to the "Corte di Cassazione" for which, at present, a hearing is awaited.

Having said that, given that the judgement of the Court of Appeal is provisionally enforceable, in October 2012 the "Comune di Miano" summoned Premafin before the Court of Milan for the quantification and assessment of damages suffered.

Also in relation to this case, considering that the appeal is pending before the Supreme Court and the uncertainty of its possible outcome, considering also the writ of summons delivered by the "Comune di Milano", studies were carried out by independent real estate experts in order to quantify the possible damages, as well as considering the risks of inoperability of sureties issued by IM.CO, (a company recently declared bankrupt), and its subsidiaries, and notwithstanding the objection to Premafin's non-admission of IM.CO's bankruptcy liabilities.

Given all of the above, and following investigations and comparisons with independent real estate experts in order to quantify the possible damages that the Company might be ordered to pay, a liability of approximately Euro 12.5 million has been estimated. Taking into account of the provisions that were already set aside in previous years, it was considered appropriate to strengthen the provision for contractual risks by Euro 10.3 million.

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.

Non-recoverable amounts from agents

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 brokers 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, as financial assumptions, a risk free interest rate curve.

Urbanisation charges

These charges represents 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

Other charges refer to provisions relating to miscellaneous amounts including the maintenance costs contractually provided by the companies operating in the real estate sector or estimated costs already planned by the companies of the Group that own properties for restoration and modifications of the properties. The account also includes the leaving indemnities to be paid to different categories of employees.

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, the following is reported.

The two prosecutors who brought the case before court prepared their conclusions and submitted the relevant requests at the hearings on March 26 and 28, 2012. In relation to the charges made against the Company, a penalty of 400 times the value between a minimum of approx. Euro 250 and a maximum of Euro 1,549 was requested. The accessory penalties of the banning for 2 years from undertaking contracts with the public administration and the confiscation of the lots of the Castello Area for which the construction permits were released were also requested.

The Public Prosecutors also requested that the entire area should remain under sequestration.

In relation to the defence of the Company, clearing of the charges was requested, claiming the non committal of any offence and subordinately therefore the pursuit of only the monetary claim and not also the criminal claim as the Company had adopted an Organisational and Management Model appropriate to prevent offences against the Public Administration as contested. At the hearing on June 29, 2012, the Court of Florence did not pronounce sentence, but ordered an additional hearing to listen again to the evidence already discussed, pursuant to Article 507 of the Italian Criminal Code.

On November 9, the hearing before the Florence Court took place, during which a number of texts concerning collusive tendering were examined - documents which did not concern the company and its representatives.

The process was postponed to January 18, 2013: The hearing was duly held and the subsequent hearing of February 22 involved the examination of witnesses.

Finally, the Florence Court on March 6, 2013, fully absolved Fondiaria-SAI (as the fact was not proven) of all charges in the criminal investigation concerning the urbanisation of the Castello Area.

The Court also granted the release from seizure and the restitution of the Castello Area. The Company's legal representatives will pursue the execution of the release from seizure by the legal police which occurred in November 2008.

The expert valuation of property pertaining to the Castello Area at 31/12/2012 was approximately Euro 111.5 million.

This amount is consistent with the scenario that construction can continue and, therefore, with the assumption of the operational continuity of the initiative.

3. INSURANCE CONTRACT LIABILITIES

The account amounts to Euro 33,657,899 thousand and decreased by Euro 1,449,606 thousand on December 31, 2011.

The table below sets forth the breakdown of the insurance contract liabilities:

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Change**
NON-LIFE BUSINESS			
Unearned premiums provisions	2,494,731	2,741,846	(247,115)
Outstanding claims provisions	10,018,137	9,858,123	160,014
Other provisions	9,346	10,353	(1,007)
Non-life business Total	**12,522,214**	**12,610,322**	**(88,108)**
LIFE BUSINESS			
Mathematical provisions	14,945,399	15,163,236	(217,837)
Payable amounts provisions	248,244	360,690	(112,447)
Other provisions	80,992	(693,089)	774,081
Technical provisions where the investment risk is borne by policyholers	5,861,051	7,666,345	(1,805,294)
Life business Total	**21,135,686**	**22,497,183**	**(1,361,497)**
TECHNICAL PROVISIONS TOTAL	**33,657,900**	**35,107,505**	**(1,449,605)**

With reference to the Non-Life insurance sector, the premium provision includes the provision for the fraction of premium of Euro 2,456,891 thousand and the provision for current risks of Euro 37,840 thousand.

The claims provision includes Euro 812,617 thousand accrued against claims incurred at the 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 includes the additional provision on the financial risk, equal to Euro 80,111 thousand (Euro 148,135 thousand at December 31, 2011), as per ISVAP Regulation No. 21 of March 28, 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 discretional profit participation component (IFRS 4.1G22f) for Euro 9,846 thousand (Euro -772,473 thousand at December 31, 2011). 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 discretional profit participation element. In this case, the policyholder may discretionally intervene in determining the rate of payment and the return. The shadow accounting treatment was applied to these contracts: the provision for deferred liabilities with policyholders therefore represents the portion of capital 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 losses was assumed as between 2 and 7 years;
- the rates of retrocession on 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.

With reference to the financial liabilities relating to contracts with discretional participation features, as defined by IFRS 4.2b), these liabilities are classified as insurance contract liabilities and their book value amount to Euro 8,377,581 thousand (Euro 8,530,573 thousand at December 31, 2011).

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 liabilities, difficulties exist in providing precise quantifications since specific decisions need to be taken on this matter at a regulatory level.

With reference to the previous generation of the Motor TPL claims provision it should be noted that activities continued during 2012 by the loss adjustor's network and the head office structures to determine the last costs to be recorded in the financial statements.

On concluding this phase of the process, the revaluation of the Motor TPL provision for the prior year claims managed (therefore 2011 and before) was the following:

- Euro 337 million for Fondiaria-SAI (with an additional Euro 78 million under the last cost criteria, based on the revaluation proposed by the loss adjustor's);
- Euro 311 million for Milano Assicurazioni (with an additional Euro 77 million under the last cost criteria, based on the revaluation proposed by the loss adjustors);
- Euro 91 million concerning the smaller Group companies, for a total of Euro 739 million.

This resulted in, together with the reversal of the initial provision, and to recoveries, of a total charge in the income statement of Euro 709.1 million.

The 2012 current generation estimate was based on an average cost method, modified compared with the past due to a new calculation driver which, based on greater calibration and weighting of the statistical average cost for similar claims categories, attributes a value to the current claim provision during the year, as well as the above-mentioned actuarial statistical valuation models. In 2012, this resulted in an average cost of claims settled in the year (or rather average cost of claims already settled in the year and the provision for settlement in future years) amounting, for 2012 to Euro 4,330 for Fondiaira-SAI and Milano (compared to Euro 4,190 for Fondiaria-SAI and Euro 4,220 for Milano in the 2011 financial statements), against an average market cost for 2011 of Euro 4,345.

Overall, the process for the valuation of the 2012 Motor TPL Reserve, including other matters in the calculation such as late claims and IBNR and the flat-rate provision (relating to the Managed and Debtor Flat-rates) results in a total provision of:

- € 2.847 million for Fondiaria-SAI;
- € 2.367 million for Milano Assicurazioni.

The Actuary of the company deemed this amount "to be overall sufficient to meet the commitments deriving from the insurance contracts in accordance with current legal and regulatory provisions and other provisions on the matter".

Also the year 2012 was impacted by the settlement of prior year claims principally relating to the Motor and General Third Party Liability Classes: this derives from both a more aggressive settlement policy and more prudent valuations made by the loss adjustor network.

The rescue operation of the Fondiaria SAI Group, the change in ownership and in general the transition period however had an immediate and direct impact on the loss adjustor's network from the beginning of the year, consolidating the practices which were already implemented during the past year.

During 2012 the activities of the loss adjustor's network saw a major change from the past with a more aggressive policy in the management of claims with the objective of not allowing cases to drag on for long periods whose costs increase if not closed completely and promptly. In particular there was greater recourse to partial payments and a more aggressive policy on the more serious claims.
On the revision of the prior year claims provisions the loss adjustors also undertook the revaluations utilising greater prudence.

4. FINANCIAL LIABILITIES

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Change**
Financial liabilities at fair value through profit or loss	569,747	1,349,506	(779,759)
Other financial liabilities	2,147,038	2,178,165	(31,127)
Total	**2,716,785**	**3,527,671**	**(810,886)**

4.1 Financial liabilities at fair value through Profit or loss

Financial liabilities at fair value recorded through profit and loss are:

Financial liabilities held for trading

The account amounts to Euro 1,682 thousand (Euro 53,474 thousand at 31/12/2011).

The decrease is mainly due to the early termination, through physical delivery, of the equity swap contract on Fondiaria-SAI ordinary shares.

Financial liabilities designated at Fair Value through profit or loss

The account amounts to Euro 568,065 thousand (Euro 1,296,031 thousand at December 31, 2011).

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 total amounts to Euro 480,260 thousand (Euro 1,239,609 thousand at December 31, 2011).

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 Altre passività finanziarie

The account amounts to Euro 2,147,038 thousand (Euro 2,178,165 thousand at 31/12/2011).

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 Euro 153,236 thousand (Euro 171,542 thousand at December 31, 2011) and subordinate financial loans of Euro 1,048,074 thousand (Euro 1,049,467 thousand at December 31, 2011). This latter refers, for Euro 151,895 thousand, to the Milano Assicurazioni Group.

In accordance with CONSOB Resolution No. DEM/6064293 of 28/7/2006, the subordinated and/or hybrid loans include specific contractual clauses protecting the lenders’ rights and interests.

- the net debt to shareholders’ equity ratio is not to exceed 1.10;
- early debt repayment in case that the solvency margin falls below 100% in two consecutive annual submissions as from financial year end 2011, unless the position is rectified though actions carried out within the financial year in which the margin fell below 100% and completed within six months from the end of the same financial year end;
- a pledge not to enter into new financial debt agreements, except for the purpose of covering the interest rate risk related to the debt;
- a pledge not to provide intragroup loans and other intragroup treasury transactions for a total maximum amount of Euro 15 million;
- the retention by part of Premafin’s Shareholders’ Agreement of a holding of not less than 30% of the voting capital of Premafin and the retention of Premafin’s holding in Fondiaria-SAI at not less than 30% of the voting capital.

One is to note that the net debt to shareholders’ equity ratio, based on the 2011 financial statements that had been approved at the shareholders’ meeting dated 12 June 2012 resulted to be higher than the 1.10 threshold. However, pursuant to the aforementioned Debt Restructuring Agreement, the financial lenders agreed and committed to suspend any legal or contractual remedy action to which they were entitled under the loan agreement and the equity swap contract.

Upon the coming into force of Phase 1, and the Pre-Acquisition Modified Loan Agreement becoming fully effective, and from when the financial statement data at 31 December 2012 became available until the debt exposure was completely repaid, Premafin pledged:

- to maintain the ratio between the Net Financial Debt, after deducting intragroup loans as permitted in the loan agreement, and Net Shareholders’ Equity of the beneficiary company calculated on statutory data (the “Financial Ratio”) below the 1.20 threshold plus a permitted 10% negative deviation;
- to ensure that the Financial Ratio is periodically checked against certified annual financial statements of the Company, as well as on the basis of specific ad hoc six monthly statutory financial statements drawn up by the Company itself;

As concerns the contract currently in place, it should be noted that the provisions in relation to the possible drop in the consolidated solvency margin (from the value measured at 31 December 2012), and the prohibition to enter into new debt agreements remained essentially unchanged, albeit the possibility for UGF to provide Premafin with intercompany loans and/or other treasury transactions, subject to certain conditions, has been introduced.

In relation to the negative pledges, Premafin committed to, and will ensure that, Finadin and the relevant subsidiaries (excluding Fondiaria-SAI) pledge to:

(a) not grant pledges, mortgages or guarantees of any other nature, (except for the pledge on Fondiaria-SAI shares and on VAT sureties), not assign any receivables, nor create restrictions or grant voluntary privileges on its assets, tangible or intangible, or receivables whether present or future, in favour of other creditors other than the Financial Lenders. This is without prejudice to the privileges and further guarantees as required by law, and except for (i) anything that is already subject to existing contractual obligations and collaterals at Premafin and/or Finadin and/or the relevant subsidiaries at the terms and conditions laid down from time to time, and (ii) the ordinary activities of Premafin and Finadin, up to a limit of Euro 5,000,000.00;

(b) not maintain assets pursuant to and for the purposes of Article 2447bis of the Civil Code.

The establishment of the existing collateral on the pledge on Fondiaria-SAI shares is not included in the prohibition above, as it had been granted to allow the full and simultaneous repayment of the outstanding debt exposure.

The obligation to repay the loan upon the occurrence of specified types of changes in the holding company, remained, as did the commitment on Premafin to maintain a holding of at least 30% of the voting capital of Fondiaria-SAI, subject to cancellation of the investment itself as a result of the proposed merger.

To date, there have been no instances of non-compliance with covenants, negative pledges and other terms of the loan agreement.

As concerns the subordinated debt agreement dated 22/6/2006 for an amount of Euro 300 million (half of which is subscribed by Fondiaria-SAI S.p.A. and the other half by Milano Assicurazioni S.pA.), it should be noted that Article 6.2.1(e) stipulates as a general condition on subsidiary Fondiaria-SAI, that control (pursuant to Article 2359, paragraph 1(1) of the Civile Code) and the management and coordination of Milano Assicurazioni S.p.A. remain with Fondiaria-SAI S.p.A..

In relation to the hybrid loan agreement of Euro 350 million of July 14, 2008, the option to convert into shares of the Parent Company (or of Milano for the related portion of Euro 100 million) is subject to resolutions by the extraordinary shareholders' meeting of the subsidiary Fondiaria-SAI for a capital increase to service the conversion under the contractual terms indicated, and to the simultaneous occurrence (and for a consecutive three year period) of the following conditions:

i. the downgrading of the Standard & Poor's rating (or any other agency to which the Parent Company is voluntarily subject, being no longer being subject to the Standard & Poor's rating) of the beneficiary companies to "BBB-" or a lower grade;

ii. the reduction of the solvency margin of the beneficiary companies, as defined by Article 44 of the Insurance Code, to a level below or equal to 120% of the required solvency margin as defined by Article 1, paragraph hh) of the Insurance Code, provided that (a) the situation arising from the above-mentioned events are not remedied, for both events, in the subsequent two years, or (b) the solvency margin in the following two fiscal years is not increased to at least 130% of the required solvency margin, with the possibility therefore for Fondiaria-SAI and Milano

Assicurazioni to implement, over a period of another two years, measures to enable compliance with the required covenants.

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

In consideration of the recent results of the share capital increase, already described in detail, this disclosure is provided even though there is a only a remote possibility of such contractually protected events occurring.

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

It is also reported that, with reference to the order C/11524 in relation to the "Evaluation of the measures to be prescribed" and, in particular, with reference to the "Measures relating to the shareholding ties of the entity post-merger with Mediobanca" initiated on April 26, 2012 by the Anti-trust Authority in relation to the companies Unipol Gruppo Finanziario S.p.A., Premafin Finanziaria S.p.A., Fondiaria-SAI S.p.A., Milano Assicurazioni S.p.A., Unipol Assicurazioni S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A. and Assicurazioni Generali S.p.A., the net debt of Fondiaria-SAI and Milano Assicurazioni with Mediobanca will be reduced, as well as with the "post-merger" entity, in order to significantly reduce the ties with this latter.

With reference to the other financial liabilities amounting to Euro 947,250 thousand (Euro 957,155 thousand at December 31, 2011), the most significant amounts are reported below:

- Euro 377.1 million (Euro 315.9 million at 31/12/2011) relating to Premafin's Pre-Acquisition Modified Loan Agreement (Contratto di Finanziamento Modificato Ante Integrazione), covered by the Debt Restructuring Agreement which was entered into with the lending banks on 13 June 2012 within the context of the recovery plan drawn pursuant to Article 67 of the Bankruptcy Law (L.F.);

- Euro 111.3 million (Euro 116.5 million at December 31, 2011) refers to the loan of the Tikal R.E. Closed Real Estate Fund with Mediobanca as Agent Bank. The loan of Euro 119 million was granted for the purchase of properties and improvements and at December 31, 2012 approx. Euro 5 million was repaid. The cost of the loan is Euribor at 3 months 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;

- Euro 84.8 million (Euro 99 million at December 31, 2011) refers to the bonds issued in 2009 and 2010 by BancaSai, partially at variable interest rate and partially at fixed interest rate, with different maturity dates from 2012 to 2014;

- Euro 53.7 million (Euro 71.7 million at December 31, 2011) entirely refers 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 March 17, 2014 and an interest rate of 3 month 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;

- Euro 24.4 million (Euro 26.6 million at 31/12/2011) are in relation to subsidiary Finadin's outstanding debt with Banca Popolare di Milano and Banco Popolare, that were the subject of amended agreements during the financial year.

- the remaining balances relate to other debts that are individually insignificant in value.

The account also includes customer deposits of the subsidiary BancaSai of Euro 165,796 thousand (Euro 228,416 thousand at December 31, 2011).

5. PAYABLES

The account amounts to Euro 769,896 thousand and is comprised of:

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Changes**
Payables arising out of direct insurance business	96,388	78,999	17,389
Payables arising out of reinsurance business	67,876	84,912	(17,036)
Other payables	605,632	632,040	(26,408)
Total	**769,896**	**795,951**	**(26,055)**

With reference to the payables deriving from the direct insurance operations, they consist of:

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Changes**
Payables to insurance intermediaries	70,752	60,252	10,500
Liabilities to insurance companies	15,488	10,590	4,898
Payables for policy holders' deposits	8,009	118	7,891
Liabilities for guarantee provisions for policy holders	2,139	8,039	(5,900)
Total	**96,388**	**78,999**	**17,389**

The payables deriving from reinsurance operations refer to reinsurance companies of Euro 51,062 thousand (Euro 62,733 thousand in 2011) and Euro 16,814 thousand to reinsurance brokers (Euro 22,179 thousand in 2011).

The breakdown of the other payables is shown below:

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Changes**
Trade payables	260,980	280,435	(19,455)
Post employment benefits	63,367	65,580	(2,213)
Tax-related liabilities, held by the insured	87,350	97,271	(9,921)
Payables related to various tax expenses	117,163	133,470	(16,307)
Payables to Social security and welfare institutions	19,049	23,417	(4,368)
Other payables	175,598	31,867	143,731
Total	**605,633**	**632,040**	**(26,407)**

Other tax payables include Euro 68,929 thousand relating to the payment on account of the life actuarial provision pursuant to Article 1, paragraph 2 and 2 bis of Legislative Decree 209/2002 (converted by Law 262/2002).

Post-employment benefits

Due to the 2007 Finance Act (Law No. 296/2006) the Complementary Pension Reform was brought forward to January 1, 2007.

Based on this reform, employees of private sector companies with 50 or more employees had the option by June 30, 2007 to allocate the employee leaving indemnity accrued from January 1, 2007 to complementary 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 leaving indemnity accrued remained in the company.
For the purposes of the actuarial valuation of the liability related to the provision of the Employee Leaving Indemnity 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 employee leaving indemnity at the company: the actuarial criteria provided by IAS 19 for defined benefit plans were used;
- For employees that chose to allocate the employee leaving indemnity to complementary pension schemes: the portion of employee leaving indemnity accruing from January 1, 2007 as a defined contribution plan, does not fall within the scope of IAS 19.

The changes in the year are shown below:

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Changes**
Existence at the beginning of the Period	**65,580**	**78,130**	**(12,550)**
Interest Cost provision at Income Statement	2,803	1,493	1,310
Service Cost provision at Income Statement	78	93	(15)
Actuarial Gains/Losses	9,988	(1,386)	11,374
Utilisation	(9,673)	(13,716)	4,043
Other changes	(5,409)	966	(6,375)
Existence at the end of the Period	**63,367**	**65,580**	**(2,213)**

The principal statistical-actuarial and financial assumptions used to calculate the Employee Leaving Indemnity in accordance with IAS 19 are shown below.

	Employee leaving indemnity provision			
(values in %)	**1**	**2**	**3**	**4**
ATAHOTELS	5.65	1.50	1.50	0.99
BANCASAI	5.15	1.50	1.50	0.99
CASA DI CURA VILLA DONATELLO	5.65	1.50	1.50	0.99
CENTRO ONCOLOGICO FIORENTINO	5.65	1.50	1.50	0.99
DIALOGO	4.30	1.50	1.50	1.41
EUROPA	5.65	1.50	1.50	1.41
FINITALIA	5.65	1.50	1.50	1.41
FONDIARIA-SAI	4.98	1.50	1.50	0.99
GRUPPO FONDIARIA-SAI SERVIZI	5.15	1.50	1.50	0.99
IMMOBILIARE LOMBARDA	5.65	1.50	1.50	0.99
LIGURIA DANNI	5.65	1.50	1.50	0.99
LIGURIA VITA	4.91	1.50	1.50	0.99
MARINA DI LOANO	5.65	1.50	1.50	0.99
MILANO ASSICURAZIONI (*)	4.94	1.50	1.50	1.41
PREMAFIN		1.50	1.50	9.2
PRONTO ASSISTANCE	5.15	1.50	1.50	0.99
SIAT	4.98	1.50	1.50	0.99
SYSTEMA	5.15	1.50	1.50	1.41

(*) includes SASA assicurazioni

1 = Discount rate
2 = Expected rate of remunerations increases
3 = Expected rate of inflation
4 = 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 2010-2011) 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 2010-2011) relating to the departure of employees from the company. The turnover assumptions were differentiated for contract, age and gender.
- Inflation rate: the inflation scenario used was taken from the "2012 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 some retired directors and their families. This benefit is payable to surviving spouses and supporting 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".

(values in Thousands of Euro)

Company	Fund at 31/12/12	Service cost 2012	Fund at 31/12/11	Service cost 2011
Fondiaria-SAI	24,065	364	23,131	262
Milano	11,790	29	9,253	35
Siat	718	5	552	4
Total	**36,573**	**398**	**32,936**	**301**

	Executive Assistance			
(values in%)	**1**	**2**	**3**	**4**
Fondiaria-SAI	2.48	n.a.	1.50	5.33
Milano	2.48	n.a.	1.50	7.26
Siat	2.48	n.a.	1.50	5.33

1 = Discount rate
2 = Expected rate of remunerations increases
3 = Expected rate of inflation
4 = Turn Over

6. OTHER LIABILITIES

These are broken down as follows:

(values in Thousands of Euro)	31.12.12	31.12.11	Change
Current tax liabilities	56,961	18,147	38,814
Deferred tax liabilities	178,189	133,452	44,737
Other liabilities	380,249	404,745	(24,496)
Total	**615,399**	**556,344**	**59,055**

6.2 Deferred tax liabilities

Deferred tax liabilities, amounting to Euro 178,189 thousand (Euro 133,452 thousand at December 31, 2011), 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 compensation with the corresponding deferred tax asset in accordance with IAS 12.

The impact of the deferred tax liabilities recognised in the income statement was negative for Euro 148,856 thousand (Euro 155,941 thousand in 2011).

6.3 Tax liabilities

The account amounts to Euro 56,961 thousand (Euro 18,146 thousand at 31/12/2011) and refer 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 the year-end.

With reference to the comments that were already made about current and deferred tax assets, one should note that the amounts reported at the end of the financial year take account of set offs made against current tax assets by individual companies within the Group and that are part, as subsidiaries, of the fiscal consolidation of which Fondiaria-SAI forms part.

6.4 Other liabilities

The Other liabilities amount to Euro 380,249 thousand (Euro 404,745 thousand at 31/12/2011) and are comprised of:

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Change**
Commissions on premiums in couse of collection	98,425	109,753	(11,328)
Deferred commissions expenses on IFRS 4 contracts	68	1,604	(1,536)
Cheques issued due to claims and life amounts collected by the beneficiaries after the period end	2,345	40,390	(38,045)
Reinsurance transitory accounts	3,231	3,850	(619)
Other liabilities	276,180	249,148	27,032
Total	**380,249**	**404,745**	**(24,496)**

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 given by the Group in favour of third parties

These guarantees amount to Euro 141,625 thousand, compared to Euro 743,066 thousand in the previous year, and include: Euro 2,968 thousand in securities guaranteeing the financial transactions of subsidiary Premafin; Euro 12,397 thousand in securities guaranteeing the financial transactions of subsidiary Finadin; Euro 34,700 thousand in hypothecs given in favour of lending banks on owned property and that represent a decrease of Euro 110,000 thousand over the previous year; Euro 42,916 thousand in guarantees on bank deposits that are pledged against claim disputes; Euro 2,768 thousand refer to assets deposited to guarantee reinsurance transactions; Euro 31,143 thousand in deposits given as guarantees on Group commitments.

Other guarantees provided by the Group in favour of third parties

Other guarantees amount to Euro 3,961 thousand compared to Euro 24,261 thousand in the previous year. The reduction is principally due to the cancellation of the surety of Euro 20,300 thousand provided to guarantee the deferred payment terms for the purchase of 50% of the shares in the company Quadrante S.p.A..

Guarantees provided by third parties on behalf of the Group

At year-end these guarantees amount to Euro 109,731 thousand (Euro 122,379 thousand at December 31, 2011) 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 convention.

Guarantees received

At year-end these guarantees amount to Euro 195,476 thousand (in 2011 Euro 198,399 thousand) and principally comprise of bank guarantees provided on behalf of third parties to guarantee policies issued in the Bonds Class for Euro 100,000 thousand.

Commitments

Commitments amounts to Euro 238,741 thousand and includes various commitments from securities to real estate.

Commitments were cancelled for Euro 30,975 thousand provided by Milano Assicurazioni in relation to the real estate projects Isola at Milano (Euro 22,666 thousand) and Via Fiorentini at Rome (Euro 8,309 thousand) with the former related parties now bankrupt Im.Co. S.p.A. in liquidation and Avvenimenti e Sviluppo Alberghiero srl; with the declaration of the bankruptcy of the Im.Co- Sinergia group the initiatives with these counterparties will not be completed.

These commitments include real estate operations of Euro 127,311 thousand for commitments provided by Nuove Iniziative Toscane S.r.l.

in relation to urbanisation works in Florence.

Milano Assicurazioni also underwrote financial commitments under the form of Profit Participating Bonds with the associated company Garibaldi S.C.A. for Euro 37,191 thousand and with Isola S.C.A. for Euro 5,262 thousand.

PART C

Information on the Consolidated Income Statement

1.1 NET PREMIUMS

Consolidated net premiums amount to Euro 9,967,235 thousand (Euro 10,527,344 thousand in 2011). The Group's gross premiums written amounted to Euro 10,032,389 thousand (a decrease of 7.22% on the previous year), as follows:

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Change**
Life business gross premiums	3,611,582	3,753,573	(141,991)
Non-life business gross premiums	6,420,807	7,059,924	(639,117)
Changes in gross amount of unearned premiums provision	(244,778)	(36,761)	(208,017)
Non-life business Total	**6,665,585**	**7,096,685**	**(431,100)**
GROSS PREMIUMS	**10,277,167**	**10,850,258**	**(573,091)**

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 inter-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 Euro 301,847 thousand, represent 3.0% of the total premiums written (3.1% in 2011).

(values in Thousands of Euro)	**31.12.12**	**31.12.11**	**Change**
Life business	8,553	18,285	(9,732)
Non-life business	293,294	311,829	(18,535)
Change in the reinsurance share of unearned premiums	8,085	(7,200)	15,285
Non-life business Total	**301,379**	**304,629**	**(3,250)**
REINSURANCE PREMIUMS	**309,932**	**322,914**	**(12,982)**

Group reinsurance policy impacted on the consolidated accounts for Euro 67,112 thousand (Euro 69,172 thousand in the Non-Life Sector).

In accordance with IFRS 4.37 b ii, the Group does not defer and amortise gains and losses deriving from reinsurance.

For further details on the Non-Life Insurance and Life Insurance Sectors of "Net Premiums" reference should be made to the Annex at the end of the financial statements.

1.2 COMMISSION INCOME

Commission income in 2012 amounted to Euro 15,423 thousand, a decrease of Euro 9,010 thousand on the previous year.

The account includes approx. Euro 13 million of commission income matured by the companies operating in the asset management and consumer credit sectors.

The account includes both the explicit and implicit loading relating to the investment contracts issued by the Group insurance companies and, as such, not within the scope of

IFRS 4, and commissions for the management of internal funds. Of this, approx. Euro 2 million refers to the subsidiary Popolare Vita.

1.3 NET INCOME FROM FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE THROUGH PROFIT AND LOSS

The account amounts to Euro 544,570 thousand, a decrease of Euro 240,527 thousand compared to 2011.

(values in Thousands of Euro)	Net interests	Other net income	Realised Gains	Realised Losses	Unrealized gains and reversal of impariment losses	Unrealized losses and impairment losses	Total 31.12.12	Total 31.12.11	Change
Investments result arising out of:									
- Held-for-trade financial assets	2,421	3	4,524	(3,889)	8,025	(4,910)	6,174	3,103	3,071
- Financial assets at fair value through profit or loss	150,793	106,346	231,797	(60,825)	215,496	(103,834)	539,773	321,281	218,492
- Held-for-trade financial liabilities	-	-	-	-	941	(2,318)	(1,377)	(20,341)	18,964
Total	**153,214**	**106,349**	**236,321**	**(64,714)**	**224,462**	**(111,062)**	**544,570**	**304,043**	**240,527**

The result of the investments deriving from financial assets designated at fair value through profit or loss include Euro 561,392 thousand 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 SUBSIDARIES, ASSOCIATES AND JOINT VENTURES FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

(values in Thousands of Euro)	Net interests	Other net income	Realised Gains	Realised Losses	Unrealized gains and reversal of impariment losses	Unrealized losses and impairment losses	Total 31.12.12	Total 31.12.11	Change
Result arising out of:									
- Investments property	-	27,160	23,466	(44)	-	(353,973)	(303,391)	(252,042)	(51,349)
- Investments in subsidiaries, associates and joint ventures	-	(14,594)	-	-	-	-	(14,594)	(5,243)	(9,351)
- Investiments held to maturity	39,081	153	3,066	-	-	-	42,300	770	41,530
- Loans and receivables	167,068	(4,020)	326	(6,308)	6,860	(16,280)	147,646	142,034	5,612
- Available-for-sale financial assets	599,250	42,687	184,000	(141,170)	1,423	(188,167)	498,023	388,721	109,302
- Other receivables	3,638	205	-	-	-	-	3,843	13,804	(9,961)
- Cash and cash equivalents	14,898	(516)	-	-	-	-	14,382	12,326	2,056
- Other financial liabilities and other payables	(80,037)	(373)	56	-	-	-	(80,354)	(91,010)	10,656
Total	**743,898**	**50,702**	**210,914**	**(147,522)**	**8,283**	**(558,420)**	**307,855**	**209,360**	**98,495**

Net interest amounts to Euro 764,103 thousand and is in line with the previous year (Euro 750,328 thousand). Interest expense includes the Group debt charges on financial liabilities. During the year financial assets impaired in previous years did not bear interest income (IAS 32.94h). The investment property valuation losses include Euro 73 million 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 Euro 188 million, includes the impairments made in accordance with the valuation policy already illustrated relating to the asset accounts.

In relation to attachment 11, reference should be made to the Annex at end of the explanatory notes.

1.6 OTHER INCOME

Other income amounted to Euro 501,893 thousand (Euro 666,721 thousand in 2011) and are summarised in the table below:

(values in Thousands of Euro)	31.12.12	31.12.11	Change	31.12.11
Capital gains related to non-current assets	15	16,523	(16,508)	16,523
Other insurance technical income	67,491	54,291	13,200	54,291
Withdrawals from funds	96,003	164,768	(68,765)	164,768
Exchanges differences	3,399	4,731	(1,332)	4,731
Gains	39,288	38,293	995	38,293
Gains on tangible assets	37	271	(234)	271
Other income	291,246	376,479	(85,233)	376,479
Change in tangible assets stocks	2,328	9,459	(7,131)	9,459
Income from properties rent and intangible assets	2,086	1,883	203	1,883
Tangible assets value reinstatement	0	23	(23)	23
Total	**501,893**	**666,721**	**(164,828)**	**666,721**

In particular, the account "Other Income" includes the following amounts:

- Euro 119 million (Euro 128 million in 2011) operating revenues of the subsidiary Atahotels;
- Euro 101 million (Euro 69 million in 2011) revenues of Auto Presto & Bene;
- Euro 45 million (Euro 46 million in 2011) revenues from the Group's clinic subsidiaries;
- Euro 18 million (Euro 61 million in 2011) revenues from subsidiaries Immobiliare Lombarda, Immobiliare Fondiaria-SAI and Immobiliare Milano. The properties owned by the latter two are treated as inventories and are recorded under tangible fixed assets: the relative change in inventory amounts to Euro 2 million (Euro 9 million in 2011);
- Euro 10 million (Euro 10 million in 2011) revenues from the agricultural business.

2.1 NET INSURANCE BENEFIT AND CLAIMS

Claims paid, sums of the Life insurance classes and related expenses, gross of the quota ceded in reinsurance, amount to Euro 11,729,523 thousand, an increase of 18.70% on the previous year.

The table below shows the breakdown of the accounts relating to direct and indirect premiums, as well as the reinsurance share and the comparison with 2011.

In this regard, we report both the figures for the 2011 financial statements originally published and the "IAS 8 Restated" figures taking account of CONSOB Decision No. 18431 of December 21, 2012.

In the "IAS 8 Restated" figures, the change in the claims provision for the year 2011 amounts to Euro 234,863 thousand instead of Euro 751,863 thousand, as Euro 517 million relating to the change in the Motor TPL claims provision was considered as per CONSOB Decision No. 18431 of December 21, 2011 as a correction of an error of the previous year consolidated financial statements.

2.1.2 Insurance claims: amounts paid and changes in insurance contract liabilities

(values in Thousands of Euro)	31.12.12	31.12.11 Re-exposed IAS 8	31.12.11	Change
Paid amounts	5,254,709	5,488,355	5,488,355	(233,646)
Change in recoveries	(121,448)	(167,944)	(167,944)	46,496
Change in other technical provisions	(256)	(269)	(269)	13
Change in claims provisions	163,252	234,863	751,863	(588,611)
Non-life Business Total	**5,296,257**	**5,555,005**	**6,072,005**	**(775,748)**
Paid amounts	6,474,814	4,393,334	4,393,334	2,081,480
Change in Mathematical provisions and in other technical provisions	(195,538)	(918,433)	(918,433)	722,895
Change in technical provisions when the investment risk is borne by policyholders	(1,808,967)	721,290	721,290	(2,530,257)
Change in payable amounts provision	(106,537)	138,661	138,661	(245,198)
Life Business Total	**4,363,772**	**4,334,852**	**4,334,852**	**28,920**
Life and Non-life business Total	**9,660,029**	**9,889,857**	**10,406,857**	**(746,828)**
Paid amounts	11,608,075	9,713,745	9,713,745	1,894,330
Change in provisions	(1,948,046)	176,112	693,112	(2,641,158)

2.1.3 Insurance claims: quota ceded to reinsurers

(values in Thousands of Euro)	31.12.12	31.12.11	Change
Amounts paid by reinsurers	174,490	166,130	8,360
Change in recovery	(954)	4,970	(5,924)
Change in other technical provisions	-	-	-
Change in claims provisions	123,408	(23,912)	147,320
Non-life business Total	**296,944**	**147,188**	**149,756**
Amounts paid by reinsurers	20,420	24,226	(3,806)
Change in Mathematical provisions and other technical provisions	(13,765)	(6,319)	(7,446)
Change in payable amounts provision	(1,124)	992	(2,116)
Life business Total	**5,531**	**18,899**	**(13,368)**
Life and Non-life business Total	**302,475**	**166,087**	**136,388**
Amounts paid net of recoveries	193,956	195,326	(1,370)
Change in provisions	108,519	(29,239)	137,758

Net change in Non-Life insurance contract liabilities amount to Euro 39,588 thousand, a decrease of Euro 735,918 thousand compared to 2011.

Life insurance contract liabilities including the provision for amounts to be paid, decreased by Euro 2,096,153 thousand (Euro 53,155 thousand in 2011).

For further details on net insurance benefits and claims related to the Non-Life insurance and Life insurance sectors, reference should be made to Attachment 10 at the end of the explanatory notes.

2.2 COMMISSION EXPENSES

Commission expenses in 2012 amounted to Euro 7,361 thousand, a decrease compared to 2011 of Euro 8,494 thousand.

The account includes the acquisition costs related to investment contracts which do not fall within the scope of IFRS 4.

2.5 OPERATING EXPENSES

(values in Thousands of Euro)	31.12.12	31.12.11	Change
Acquisition commissions and change in deferred acquisition costs	848,115	1,108,433	(260,319)
Other acquisition costs	212,074	213,502	(1,428)
Collection commission	139,053	36,140	102,913
Commissions and shares in gains received by reinsurers	(73,607)	(80,658)	7,051
Non-life business Total	**1,125,635**	**1,277,417**	**(151,783)**
Acquisition commissions and change in deferred acquisition costs	90,392	97,982	(7,590)
Other acquisition costs	26,653	24,485	2,168
Collection commission	7,032	7,921	(889)
Commissions and shares in gains received by reinsurers	(962)	(1,182)	220
Life-business Total	**123,115**	**129,206**	**(6,091)**
Investments management expenses	16,092	16,437	(345)
Other administrative expenses	442,496	463,982	(21,486)
Total	**1,707,338**	**1,887,042**	**(179,704)**

The acquisition costs in the year amounted to Euro 1,177,235 thousand as reported in the table below:

(importi espressi in € migl.)	31.12.12	31.12.11	Variazione
Parte sostenuta e spesata nell'esercizio	1.164.682	1.383.077	(218.395)
Parte riveniente da ammortamenti di costi capitalizzati in precedenti esercizi	12.553	61.325	(48.772)
Valore a fine esercizio	**1.177.235**	**1.444.402**	**(267.167)**

2.6 OTHER EXPENSES

Other expenses amount to Euro 1,277,959 thousand (Euro 1,047,250 thousand in 2011) and are summarised in the table below:

(values in Thousands of Euro)	31.12.12	31.12.11	Change
Other insurance technical expenses	300,815	247,591	53,225
Provisions to funds	217,261	136,605	80,656
Losses on receivables	112,977	35,832	77,145
Excess liabilities	40,920	38,639	2,281
Tangible assets depreciation	14,844	15,096	(252)
Intangible assets depreciation	40,120	43,094	(2,974)
Tangible assets value decrease	18,879	22,461	(3,582)
Intangible assets value decrease	268,100	100,727	167,373
Exchange differences	1,354	2,867	(1,513)
Other expenses	262,688	404,339	(141,650)
Total	**1,277,959**	**1,047,250**	**373,872**

Other expenses include the following:

- Euro 81 million (Euro 79 million in 2011) relating to operating costs of the subsidiary Atahotels;
- Euro 58 million (Euro 68 million in 2011) labour costs and spare parts of the subsidiary Auto Presto & Bene;
- Euro 41 million (Euro 38 million in 2011) costs incurred by the clinic subsidiaries of the Group for operating and personnel costs;
- Euro 36.9 million relate to the increase in the provision for risks in connection with the writ of summons by shareholders of subsidiary Fondiaria-SAI;
- Euro 24 million (Euro 71 million in 2011) operating costs of the subsidiaries Immobiliare Lombarda, Immobiliare Fondiaria SAI and Immobiliare Milano;
- Euro 6 million (Euro 6 million in 2011) operating costs of the subsidiary Saiagricola.

The reduction in value of the intangible assets includes the above-mentioned Euro 260 million goodwill impairment (Euro 101 million in 2011).

3. INCOME TAXES

The table below illustrates the current and deferred taxes and the comparison with the previous year.

In this regard, we report both the figures for the 2011 financial statements originally published and the "IAS 8 Restated" figures taking account of CONSOB Decision No. 18431 of December 21, 2012.

In the "IAS 8 Restated" figures, the deferred tax assets arising in 2011 amount to Euro 575,582 thousand instead of Euro 753,582 thousand as Euro 178 million are due to the tax effect of the change contributed by the claims charge, as illustrated at point 2.1 of the present explanatory notes

(values in Thousands of Euro)	**31.12.12**	**31.12.11 IAS 8 restated**	**31.12.11**	**Change**
Current tax related costs (revenues)	57,934	139,773	139,773	(81,840)
Adjustments related to current taxes of previous periods	(3,162)	122	122	(3,284)
Deferred tax liabilities	25,649	182,894	182,894	(157,245)
(-) Deferred tax liabilities used in the period	(174,505)	(26,953)	(26,953)	(147,552)
(-) Deferred tax assets incurred in the period	(191,363)	(575,582)	(753,582)	562,219
Deferred tax assets used in the period	156,226	55,301	55,301	100,925
Deferred tax revenues/costs arising out of changes in tax rates or of new	-	11,183	11,183	(11,183)
Revenues arising from deferred taxes incurred in previous periods and not previously recorded, used in order to reduce deferred tax	-	14	14	(14)
Changes arising out of estimates changes, under IAS 8	-	181	181	(181)
Total	**(129,221)**	**(213,067)**	**(391,067)**	**261,846**

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 4.82% for IRAP. To calculate the IRAP regional tax for the year, any increases or reductions in rates made by some regions with reference to particular categories was taken into account, through prudent valuations.

Income taxes also include substitute income taxes for the year.

Income taxes for the year amount to net income of Euro 129,222 thousand (income of Euro 213,067 thousand in 2011 "as per IAS 8", while the original income totaled Euro 391,067), of which income taxes for the year of Euro 54,771 thousand and deferred tax income of Euro 183,993 thousand.

Income taxes includes the reduction in taxes relating to previous years totalling Euro 3,161 thousand, due to the joint effect of lower current taxes relating to tax reimbursements or adjustments as previously provisioned for Euro 3,632 thousand and higher taxes for Euro 471 thousand.

In relation to the deferred taxes, this resulted in a reduction of the fiscal charge of Euro 183,993 thousand.

The reconciliation between the fiscal charge recorded in the financial statements and the IRES income tax rate for the years 2011 – 2012 of 27.5% is as follows:

(values in Thousands of Euro)	**31.12.12**	**31.12.11 IAS 8 restated**	**31.12.11**	**Change**
Earnings before taxes	(1,013,235)	(942,017)	(1,459,018)	445,783
Theoric taxation	(278,640)	(223,230)	(401,230)	122,590
Fiscal effect of permanent changes in taxable income	188,426	91,441	91,441	96,985
Fiscal effect arising out of the utilisation of previous tax losses, without deferred tax income allocation	(4,806)	(1,843)	(1,843)	(2,963)
Effetto fiscale derivante da quote di risultato di società collegate Fiscal effect arising out of shares of associates' period results	842	4,443	4,443	(3,601)
Fiscal effect arising out of foreign fiscal quotas	(2,997)	(5,434)	(5,434)	2,437
Fiscal effect arising out of nominal rate change	-	-	-	-
Other differences	(29,078)	(83,146)	(83,146)	54,068
Taxation on income (IRAP excluded)	**(126,253)**	**(217,769)**	**(395,769)**	**269,516**
Irap	(2,968)	4,702	4,702	(7,670)
Total taxation on income recorded in the Financial Statement	**(129,221)**	**(213,067)**	**(391,067)**	**261,846**

For a better understanding of the reconciliation between the effective charge in the accounts and the theoretical income taxes the IRAP regional tax effect was not considered as the taxable income basis for these taxes is not comparable with the result before tax.

The tax effect of the permanent tax changes resulted in an increase of Euro 188,426 thousand in the tax charge.

This charge resulted from increases to the taxable income basis of Euro 825,421 thousand against decreases of Euro 140,234 thousand.

The permanent increases include:

- Euro 204,125 thousand relating to valuation losses and losses realised on equity securities held pursuant to Article 86 of Presidential Decree 917/1986 (so-called PEX) recorded in the income statement as considered permanent losses in value and on hedging derivatives on the same non-current equity securities;
- Euro 260,034 thousand relating to goodwill on impairment and consolidation differences of Euro 159,000 thousand relating to Popolare Vita and Euro 73,721 thousand on Milano Assicurazioni;
- Euro 134,616 thousand relating to impairments on buildings and other fixed assets, of which Euro 51,183 thousand on buildings of the subsidiary Nuove Iniziative Tuscana and Euro 46,300 thousand on buildings of the subsidiary Immobiliare Milano.
- Euro 74,011 thousand relating to risk provisions.

On the other hand the permanent decreases related to:

- Euro 26,166 thousand relating to dividends from shares and investment units exempt from taxation;
- Euro 11,556 thousand relating to the release of risk provisions;
- Euro 20,917 thousand relating to the tax deduction on own capital invested (so-called “Ace”);
- Euro 10,210 thousand of IRAP deductions for personnel costs;
- Euro 17,334 thousand valuation gains and gains to be realised on equity securities exempt from taxation.

The theoretical tax charge is reduced by Euro 4,086 thousand due to utilisation of tax losses carried forward, in relation to which, for prudence purposes, no deferred tax asset had been recognised. The amounts include Premafin amounts of Euro 3,022 thousand, Finadin amounts of Euro 534 thousand, and foreign subsidiaries amounts to Euro 740 thousand, of which Finsai International amounts to Euro 403 thousand, Saint George Euro 195 thousand and Sailux Euro 142 thousand. The remaining balance relates to Immobiliare Milano.

With reference to the foreign subsidiaries, also the neutralisation of the impact on the theoretical tax charge of the results reported compared to the tax charge in accordance with the tax rates in force in the respective countries results in a total tax saving of Euro 2,997 thousand.

This change is principally due to the lower corporation tax of the Irish companies Lawrence Life for Euro 2,101 thousand and Lawrence RE for Euro 1,053 thousand, against lower tax savings for Euro 158 thousand as the difference between the local and national rate applied to the loss contributed by other subsidiaries such as, in particular, the Serbian subsidiary DDOR Novi Sad.

The other differences, which result in lower charges of Euro 29,078 thousand, originate from the combined effect of:

- lower taxes, for Euro 20,629 thousand, following the adjustments to the deferred tax assets accrued in previous years;
- lower taxes, for Euro 16,031 thousand, recorded by Parent Company, adjusting taxes relating to previous years;
- higher taxes, for Euro 1,396 thousand, relating to the expected tax losses by some subsidiaries for which it was not considered appropriate, also on a prudent basis, to record deferred tax.

The changes in the deferred tax assets and liabilities for both IRES and IRAP and other income taxes relating to the foreign subsidiaries are as follows:

(in Euro thousands)	**Total**	**IRES**	**IRAP**	**Other**
Deferred tax assets				
Net opening balance	**1,155,061**	**1,095,290**	**59,576**	**195**
IAS – compensation	943,934	788,701	154,970	263
Gross opening balance	**2,098,995**	**1,883,991**	**214,546**	**458**
Taxes arising	498,854	427,537	71,317	-
Taxes reversed	(656,924)	(590,909)	(65,747)	(268)
Gross closing balance	**1,940,925**	**1,720,619**	**220,116**	**190**
IAS 12 – compensation	(986,496)	(811,869)	(174,627)	-
Net closing balance	**954,429**	**908,750**	**45,489**	**190**
Deferred tax liabilities				
Net opening balance	**(133,452)**	**(88,391)**	**(42,835)**	**(2,226)**
IAS 12 – compensation	(943,934)	(788,701)	(154,970)	(263)
Gross opening balance	**(1,077,386)**	**(877,092)**	**(197,805)**	**(2,489)**
Taxes arising	(435,291)	(346,563)	(83,184)	(5,544)
Taxes reversed	347,993	274,758	68,606	4,629
Gross closing balance	**(1,164,684)**	**(948,897)**	**(212,383)**	**(3,404)**
IAS 12 – compensation	986,496	811,869	174,627	-

In relation to the changes in the deferred tax assets and liabilities reference should be made to the account "Deferred tax liabilities".

As regards the recoverability, also on a prudent basis, of the temporary differences relating to the deferred tax assets recorded at the end of the year, we provide the following information:
The recoverability of the deferred tax assets related to tax losses carried forward is considered reasonable, given the amendments to the time limits introduced by Article 84 of Presidential Decree 917/1986, based on the forecast taxable earnings according to the business plan 2012-2014 and the forecast for subsequent years approved by the directors.
In relation to the recovery of deferred tax assets on the goodwill and write-down of receivables from policyholders, the valuations also take account of the provisions of Article 2, paragraph 55 and thereafter of Legislative Decree 225/2010, which provides for the transformation of the deferred tax assets into tax receivables and which may be immediately compensated. This option would therefore provide an immediate "recovery" of a significant amount of the deferred tax assets on intangible assets and write-down of receivables from policyholders. The above provisions increase the likelihood, in future years, of the recovery of any remaining deferred tax asset.
The recoverability of the deferred tax assets related to the change in the Non-Life Sector claims provision and other minor accounts is based on the evaluation of the reasonably certainty of the reversal of the relative timing differences.

At the reporting date, the aggregate amount of the temporary differences relating to non-distributable profits of the subsidiaries did not result in the recognition of deferred tax liabilities. This is due to the fact that the Group is able to control the timing of the elimination of these temporary differences. The temporary differences deriving from associated companies are negligible.

4. PROFIT FROM DISCONTINUED OPERATIONS

Profit from discontinued operations, amounting to Euro 1.8 million, includes the gain of Euro 2.3 million from the sale of IGLI S.p.A.: the residual amount refers to the write-down of the property, classified under "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 increased by 3.7% 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 the Parent Company by the average weighted number of ordinary shares outstanding during the year. It is reported that the weighted average shares outstanding is reduced by the Fondiaria SAI Group shares held and increased by the weighted shares from the capital increase in the year.
The comparative figures were restated to take account of the reverse stock split issued on July 2, 2012.

In accordance with IAS 33, information is shown below for the calculation of the basic and diluted earnings (loss) per share:

	31.12.12	31.12.11 IAS 8 restated	31.12.11
Operative group result (Thousands of Euro)	(285,432)	(218,955)	(294,446)
Medium number of ordinary shares for the detention of earning per basic	1,167,761,085	382,775,895	382,775,895
Gain (loss) per share (€)	(0.244)	(0.572)	(0.769)
Net earning (loss) on non-current Group assets (Thousands of Euro)	1,825	30,850	30,850
Medium number of ordinary shares for the determination of earning per	1,167,761,085	382,775,895	382,775,895
Gain (loss) per share (€)	0.002	0.081	0.081
Total Group result (Thousands of Euro)	(283,607)	(188,105)	(263,596)
Medium number of ordinary shares for the detention of earning per basic	1,167,761,085	382,775,895	382,775,895
Earning (loss) per share (€)	(0.243)	(0.491)	(0.689)
Dilution's effect:			
Adjusted weighted medium number of ordinary shares for diluted earning per share	1,167,761,085	382,775,895	382,775,895
Diluted earning per share (€)	**(0.243)**	**(0.491)**	**(0.689)**

It should be noted that:

- the loss attributed to ordinary shareholders of the Parent Company is calculated as the loss for the year attributable to equity shareholders of the parent net of the portion of loss 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 pre share capital increase, to 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 are not significant.

Dividends paid and proposed

With reference to the provisions of IAS 1.125a and 1.125b, the Parent Company has not issued dividends in the past two years.

Group solvency margin

In accordance with the provisions of the Supervision Authority in relation to the adjusted solvency margin and the application of the prudency filters, following the introduction of the new IAS/IFRS standards, for the year 2012 the ratio between the constituting elements and the amount of the adjusted solvency margin requested was approx. 90% (57% at December 31, 2011). The equivalent ratio at the level of the subsidiary Fondiaria-SAI stands at approximately 110% (78% at 31/12/2011). The Parent Company, as opposed to last year, did not make recourse to the anti-crisis measures established by Regulation No.43 of July 12, 2012 (previous Regulation No. 37 of March 15, 2011).

The adjusted solvency margin of the parent company Premafin amounted to 90% (57% at the end of 2011).

PART D

Segment Information

Finally, the verification of the adjusted solvency of the indirect Parent Company Unipol Gruppo Finanziario (in relation to the verification of the adjusted solvency margin of Holding Companies), established by ISVAP Regulation No. 18 of March 12, 2008, is discharged by the Group Company Unipol Assicurazioni as the Insurance Company of the Group which presents the highest amount of total assets.

In this regard the available solvency margin of the indirect Parent Company Unipol Gruppo Finanziario S.p.A., and of the ultimate Parent Company Finsoe S.p.A, Parent Company of the financial conglomerate to which the Fondiaria SAI Group belongs, exceed the required margin.

In order to verify the solvency of the Parent Companies (Unipol Gruppo Finanziario and Finsoe) in 2012 the faculty, established by Article 10 of ISVAP No. 42 of 12/7/2012 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 exercised.

The application of the above-stated regulation benefited the amount of the constituting elements of the solvency margin of the Parent Companies for Euro 94 million.

In the absence of the application of ISVAP No. 43, the available solvency margin of the two Parent Companies however exceed the required margins.

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012
(Values in Thousands of Euro)

STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT

		NON-LIFE BUSINESS		LIFE BUSINESS		REAL ESTATE		OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
1	INTANGIBLE ASSETS	736.767	858.507	428.669	587.761	995	1.204	48.510	70.132	-	-	1.214.941	1.517.604
2	PROPERTY, PLANT AND EQUIPMENT	85.051	94.634	7.216	7.030	185.910	200.991	98.429	102.720	(26)	(26)	376.580	405.349
3	REINSURERS' SHARE OF TECHNICAL PROVISIONS	729.068	608.617	78.236	93.263	-	-	-	-	-	-	807.304	701.880
4	INVESTMENTS	9.013.592	7.971.804	22.853.567	23.524.748	1.151.582	1.380.328	1.229.974	1.321.224	(365.293)	(381.058)	33.883.422	33.817.046
4.1	Investment property	1.129.420	1.463.159	3.845	4.434	1.044.749	1.267.203	38.408	41.656	-	-	2.216.422	2.776.452
4.2	Investments in subsidiaries, associates and joint ventures	108.853	79.447	-	21.135	15.742	13.383	1.421	2.829	-	-	126.016	116.794
4.3	Investments held-to-maturity	-	-	712.686	601.755	7.548	-	-	-	(2.115)	(2.042)	718.119	599.713
4.4	Loans and receivables	752.188	716.892	2.060.857	2.118.511	30.076	41.286	988.472	1.128.491	(304.563)	(316.315)	3.527.030	3.688.865
4.5	Available-for-sale financial assets	7.006.694	5.686.886	13.686.216	11.793.373	50.592	55.581	165.144	129.268	(52.130)	(56.551)	20.856.516	17.608.557
4.6	Financial assets at fair-value through profit or loss	16.437	25.420	6.389.963	8.985.540	2.875	2.875	36.529	18.980	(6.485)	(6.150)	6.439.319	9.026.665
5	OTHER RECEIVABLES	2.073.904	2.307.377	226.342	282.888	70.489	59.587	348.289	319.130	(626.509)	(619.796)	2.092.515	2.349.186
6.	OTHER ASSETS	1.011.425	1.091.567	422.593	559.961	54.388	136.381	76.211	78.878	(29.953)	(62.949)	1.534.664	1.803.838
6.1	Deferred acquisition costs	19.311	-	32.939	30.301	-	-	-	-	-	-	52.250	30.301
6.2	Other assets	992.114	1.091.567	389.654	529.660	54.388	136.381	76.211	78.878	(29.953)	(62.949)	1.482.414	1.773.537
7	CASH AND CASH EQUIVALENTS	452.430	965.478	277.260	279.784	97.016	42.437	306.142	103.415	(563.031)	(387.009)	569.817	1.004.105
	TOTAL ASSETS	14.102.237	13.897.984	24.293.883	25.335.435	1.560.380	1.820.928	2.107.555	1.995.499	(1.584.812)	(1.450.838)	40.479.243	41.599.008
1	EQUITY											2.395.681	1.274.414
2	PROVISIONS	216.891	252.103	26.616	30.417	15.951	16.809	64.124	37.793	-	-	323.582	337.122
3	TECHNICAL PROVISIONS	12.522.213	12.610.322	21.135.686	22.497.183	-	-	-	-	-	-	33.657.899	35.107.505
4	FINANCIAL LIABILITIES	1.085.513	1.090.311	920.824	1.684.858	175.520	211.039	1.462.095	1.299.144	(927.167)	(757.681)	2.716.785	3.527.671
4.1	Financial liabilities at fair value through profit or loss	54.293	39.726	507.632	1.257.930	5.737	4.743	2.085	47.107	-	-	569.747	1.349.506
4.2	Other financial liabilities	1.031.220	1.050.585	413.192	426.928	169.783	206.296	1.460.010	1.252.037	(927.167)	(757.681)	2.147.038	2.178.165
5	PAYABLES	750.784	833.972	164.344	132.350	43.080	38.290	434.769	419.058	(623.080)	(627.718)	769.897	795.952
6	OTHER LIABILITIES	346.568	386.715	238.152	172.418	30.839	31.172	34.564	31.515	(34.724)	(65.476)	615.399	556.344
	TOTAL EQUITY AND LIABILITIES											40.479.243	41.599.008

CONSOLIDATED STATEMENTS AT 31 DECEMBER 2012
(Values in Thousands of Euro)

INCOME STATEMENT BY BUSINESS SEGMENT

		NON-LIFE BUSINESS		LIFE BUSINESS		REAL ESTATE		OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
1.1	Net premiums	6.364.206	6.792.056	3.603.029	3.735.288	-	-	-	-	-	-	9.967.235	10.527.344
1.1.1	*Gross premiums*	*6.665.585*	*7.096.685*	*3.611.582*	*3.753.573*	-	-	-	-	-	-	*10.277.167*	*10.850.258*
1.1.2	*Reinsurance premiums*	*(301.379)*	*(304.629)*	*(8.553)*	*(18.285)*	-	-	-	-	-	-	*(309.932)*	*(322.914)*
1.2	Fee and commission income	-	-	2.562	9.922	-	-	23.372	23.070	(10.511)	(8.559)	15.423	24.433
1.3	Gains and losses on financial instruments at fair-value through profit or loss	(12.517)	(3.825)	557.132	326.783	(2.798)	(307)	2.754	(18.583)	-	(25)	544.571	304.043
1.4	Income from investments in subsidiaries, associates and joint ventures	615	800	-	-	26	26	-	1.046	-	-	641	1.872
1.5	Income from other financial instruments and investment property	413.449	343.510	703.787	777.318	55.827	47.069	56.393	72.740	(47.915)	(48.529)	1.181.541	1.192.108
1.6	Other income	448.505	509.209	69.195	89.675	20.959	87.324	637.454	652.814	(674.220)	(672.300)	501.893	666.722
1	**TOTAL REVENUES**	**7.214.258**	**7.641.750**	**4.935.705**	**4.938.986**	**74.014**	**134.112**	**719.973**	**731.087**	**(732.646)**	**(729.413)**	**12.211.304**	**12.716.522**
2.1	Net insurance claims	(4.999.313)	(5.924.817)	(4.358.241)	(4.315.953)	-	-	-	-	-	-	(9.357.554)	(10.240.770)
2.1.2	*Amounts paid and changes in technical*	*(5.296.257)*	*(6.072.005)*	*(4.363.772)*	*(4.334.852)*	-	-	-	-	-	-	*(9.660.029)*	*(10.406.857)*
2.1.3	*Reinsurers' share*	*296.944*	*147.188*	*5.531*	*18.899*	-	-	-	-	-	-	*302.475*	*166.087*
2.2	Fee and commission expense	-	-	(1.777)	(7.822)	-	-	(5.584)	(8.033)	-	-	(7.361)	(15.855)
2.3	Losses from investments in subsidiaries, associates and joint ventures	(12.836)	(1.793)	-	-	(2.089)	(5.077)	(310)	(244)	-	-	(15.235)	(7.114)
2.4	Losses from other financial instruments and property	(435.331)	(436.747)	(147.662)	(303.383)	(245.514)	(217.384)	(44.765)	(40.424)	14.180	20.428	(859.092)	(977.510)
2.5	Management expenses	(1.407.375)	(1.578.500)	(203.474)	(198.744)	(442)	(324)	(325.026)	(327.366)	228.978	217.893	(1.707.339)	(1.887.041)
2.6	Other costs	(933.553)	(753.014)	(264.009)	(212.915)	(63.554)	(115.489)	(506.330)	(457.070)	489.489	491.239	(1.277.957)	(1.047.249)
2	**TOTAL COSTS**	**(7.788.408)**	**(8.694.871)**	**(4.975.163)**	**(5.038.817)**	**(311.599)**	**(338.274)**	**(882.015)**	**(833.137)**	**732.647**	**729.560**	**(13.224.538)**	**(14.175.539)**
	NET PROFIT (LOSS) BEFORE TAX	**(574.150)**	**(1.053.121)**	**(39.458)**	**(99.831)**	**(237.585)**	**(204.162)**	**(162.042)**	**(102.050)**	**1**	**147**	**(1.013.234)**	**(1.459.017)**

INCOME STATEMENT BY BUSINESS SEGMENT RE-EXPOSED UNDER IAS 8

		NON-LIFE BUSINESS		LIFE BUSINESS		REAL ESTATE		OTHER		INTERSEGMENT		TOTAL	
		2012	2011 riesposto IAS 8	2012	2011 riesposto IAS 8	2012	2011 riesposto IAS 8	2012	2011 riesposto IAS 8	2012	2011 riesposto IAS 8	2012	2011 riesposto IAS 8
1.1	Net premiums	6.364.206	6.792.056	3.603.029	3.735.288	-	-	-	-	-	-	9.967.235	10.527.344
1.1.1	*Gross premiums*	*6.665.585*	*7.096.685*	*3.611.582*	*3.753.573*	-	-	-	-	-	-	*10.277.167*	*10.850.258*
1.1.2	*Reisurance premiums*	*(301.379)*	*(304.629)*	*(8.553)*	*(18.285)*	-	-	-	-	-	-	*(309.932)*	*(322.914)*
1.2	Fee and commission income	-	-	2.562	9.922	-	-	23.372	23.070	(10.511)	(8.559)	15.423	24.433
1.3	Gains and losses on financial instruments at fair value through profit or loss	(12.517)	(3.825)	557.132	326.783	(2.798)	(307)	2.754	(18.583)	-	(25)	544.571	304.043
1.4	Income from investments in subsidiaries, associates and joint ventures	615	800	-	-	26	26	-	1.046	-	-	641	1.872
1.5	Income from other financial instruments and investment property	413.449	343.510	703.787	777.318	55.827	47.069	56.393	72.740	(47.915)	(48.529)	1.181.541	1.192.108
1.6	Other income	448.505	509.209	69.195	89.675	20.959	87.324	637.454	652.814	(674.220)	(672.300)	501.893	666.722
1	**TOTAL REVENUES**	**7.214.258**	**7.641.750**	**4.935.705**	**4.938.986**	**74.014**	**134.112**	**719.973**	**731.087**	**(732.646)**	**(729.413)**	**12.211.304**	**12.716.522**
2.1	Net insurance claims	(4.999.313)	(5.407.817)	(4.358.241)	(4.315.953)	-	-	-	-	-	-	(9.357.554)	(9.723.770)
2.1.2	*Amounts paid and changes in technical*	*(5.296.257)*	*(5.555.005)*	*(4.363.772)*	*(4.334.852)*	-	-	-	-	-	-	*(9.660.029)*	*(9.889.857)*
2.1.3	*Reinsurers' share*	*296.944*	*147.188*	*5.531*	*18.899*	-	-	-	-	-	-	*302.475*	*166.087*
2.2	Fee and commission expense	-	-	(1.777)	(7.822)	-	-	(5.584)	(8.033)	-	-	(7.361)	(15.855)
2.3	Losses from investments in subsidiaries, associates and joint ventures	(12.836)	(1.793)	-	-	(2.089)	(5.077)	(310)	(244)	-	-	(15.235)	(7.114)
2.4	Losses from other financial instruments and property	(435.331)	(436.747)	(147.662)	(303.383)	(245.514)	(217.384)	(44.765)	(40.424)	14.180	20.428	(859.092)	(977.510)
2.5	Management expenses	(1.407.375)	(1.578.500)	(203.474)	(198.744)	(442)	(324)	(325.026)	(327.366)	228.978	217.893	(1.707.339)	(1.887.041)
2.6	Other costs	(933.553)	(753.014)	(264.009)	(212.915)	(63.554)	(115.489)	(506.330)	(457.070)	489.489	491.239	(1.277.957)	(1.047.249)
2	**TOTAL EXPENSES**	**(7.788.408)**	**(8.177.871)**	**(4.975.163)**	**(5.038.817)**	**(311.599)**	**(338.274)**	**(882.015)**	**(833.137)**	**732.647**	**729.560**	**(13.224.538)**	**(13.658.539)**
	NET PROFIT (LOSS) BEFORE TAX	**(574.150)**	**(536.121)**	**(39.458)**	**(99.831)**	**(237.585)**	**(204.162)**	**(162.042)**	**(102.050)**	**1**	**147**	**(1.013.234)**	**(942.017)**

PART E – INFORMATION ON RISKS AND ON UNCERTAINTIES

The risk management model, duties and responsibilities

The Enterprise Risk Management model and the estimate of the Economic Capital

The Risk Management Model adopted by the Fondiaria-SAI Group is based on the rationale of Enterprise Risk Management:

- aimed to generate the risk management culture in the Group among the different hierarchy levels;
- based on an integrated viewpoint of all of the current and future risks which the Group is exposed to and assessing the impact that these risks can have on solvency and achieving targets.

Within the ERM system, the internal model provides several quantitative instruments. Some of these aim to obtain information on the management of:

- **the Economic Capital**;
- measures of Risk Adjusted profit;
- fixed operating limits including using Value at Risk**.**

The risk assessment model is based on an estimate of the Economic Capital (EC), or rather a Risk Capital model to estimate the necessary capital to evaluate the solvency of the Group, in line with the risk appetite objective. The model is constantly changing and is regularly updated with the target so that it is always adequate to the risks assumed, to the changes in the regulations and to technical and methodological innovations.

The government risk

In the Fondiaria SAI Group, the Risk Management structure and process are placed within the wider internal control system based on the following levels:

- line controls ensuring that operations are carried out correctly (level 1 controls);
- risk management controls aimed to measure risks and to identify strategies to manage them (level 2 controls);
- internal audit controls aimed to provide independent evaluation of the overall risk control and risk management system to improve organisational efficiencies (Level 3 controls).

The risk management system involves the following key players, carrying out different functions based on the positions held, expertise and information available:

- Board of Directors;
- Chief Executive Officer, General Manager and Senior Management;
- Risk Management Department;
- Compliance Department;
- Audit Department;
- Business and Process Owners Departments.

The Board of Directors have the ultimate responsibility for the internal control system which must ensure completeness, functionality and effectiveness.

The Chief Executive Officer, the General Manager and senior management oversee the implementation, updating and monitoring of the internal control and risk management system, in line with the directives of the Board of Directors.

The compliance function identifies and quantifies the risk of non-compliance with regulation.

The Audit function identifies and quantifies the efficiency and effectiveness of the internal control system and recommends corrective measures that are deemed necessary. It also has the responsibility for implementation of follow-up actions both to ensure completion of corrective measures, as well as to monitor the effectiveness of changes made to the system.

The Risk Management Department undertakes, together with the other parties involved in the risk management system, the definition and creation of a management system for all risk-related activities, through the development and maintenance of the risk measurement strategies, methods and tools. In particular, the Risk Management department is responsible for the following:

- managing the development and complete of Risk Capital models functional to the implementation of an efficient and effective Enterprise Risk Management system;
- undertaking regular monitoring of the risks through the reporting indicators;
- contributing to the definition of the operating limits and relative tolerance thresholds assigned to the operating structures and draw up procedures for the prompt verification of these limits;
- preparing reports for the Board of Directors, the Internal Control Committee, Senior Management and operational managers in relation to risks and the breaches of fixed operating limits;
- defining, together with the other departments involved, the actions to mitigate the risk where the fixed operating limits have been exceeded;
- carrying out stress tests to assess the economic and financial impact of adverse trends in the principal risk factors.

It carries out its functions for all the insurance companies within the Fondiaria SAI Group and for all of the subsidiaries which have entered into a specific service contract. For Group subsidiary (including the respective direct subsidiaries) which have their own Risk Management department, the head performs guidance and monitoring in addition to activities as provided for in the Annual Plan, relating to the Solvency II Project, or in relation to specific requests not included in the Plan.

The Risk Management function is independent from the operating structures and reports functionally and hierarchically to the Board of Directors.

The risk management system involves specifically created committees which contribute to strengthen and integrate the risk management system of the Fondiaria SAI Group and play a critical role for the Board of Directors to make the most informed decisions.

The Risk Map

The risks considered in the Model adopted are set out in the Risk Map, shown below, which breaks down each risk by segment of activity. In addition to the assessment of maximum potential loss, the approach adopted in the monitoring of total exposure also considers risks which according to a cause and effect, may emerge as a consequence of other risks, although not always generating a directly measurable economic impact.

These risks, known as “Second level risks” are:

- Reputational Risk, i.e. risk related to the deterioration of the corporate image and the increase in conflict with policyholders, also due to the low quality of the products offered, the placing of unsuitable policies or the conduct of sales networks;
- Risks related to belonging to a group or “contagion” risk i.e. risk related to the interlinked nature of the other Group companies, whereby a difficult situation arising in one entity creates solvency issues for the entity itself; risk of conflict of interest.

Alongside these types of Risks, particular attention must be paid to Strategic Risk, i.e. the current or future risk of a drop in profits or of capital deriving from a change in the operating context or from bad corporate decisions, inadequate implementation decisions or a failure to react swiftly to changes in the competitive environment.

The Risk Map, of Level I and II, is the basis for the Risk Management activity. This structure however is not a static fixed element within the Model, in that the approach adopted must take into account not only all current risks, but also possible future risks, to anticipate any possible threats arising from the context in which the Group operates.

Table 8 –Map of Risks

	Non-Life Sector	Life Sector	Real Estate	Other
Financial Risks				
Market Risks	√	√	√	√
Credit Risk	√	√	√	√
Liquidity Risk	√	√	√	√
Life Technical Risks				
Longevity		√		
Mortality		√		
Disability		√		
Expenses		√		
Redemption		√		
Catastrophe		√		
Non-Life Technical Risks				
Reserves	√			
Premium	√			
Catastrophe	√			
Operational and Other Risks				
Operating Risks	√	√	√	√
Risk of non compliance with regulations	√	√	√	√
Reputational Risk	√	√	√	√
Risk related to belonging to the Group or contagion risk	√	√	√	√
Strategic Risk	√	√	√	√

The assessment of the above-mentioned quantifiable risks is determined using an ALM approach through the internal model utilising best practice procedures.

ALM estimate entails the shock analysis for the risk variables on both asset and liability accounts in the financial statements.

This phenomenon is significant for financial variables and in particular for interest rate risk. A shock of this size impacts significantly on all interest rate sensitive bond securities and on the value of the Life actuarial provision and Non-Life claims provision, due to the discounting of the cash flows.

The financial risk assessment described below do not take into account the ALM approach. The compensation principle defined by this method is principally applied using a "Total Balance Sheet" approach defined by Solvency II.

Accounting standards marginally allow the adoption of this technique, and for clarity no calculations were inconsistent with the criteria of the accounting principles used for the preparation of the financial statements.

Technical risks are assessed through internal models and the models proposed by the standard QIS5 formula. The most significant component is the non-life underwriting risk, in particular the risk provision and the premium risk. The catastrophic risk has a reduced weight taking into account the mitigating effect of the reinsurance agreements.

Term life and redemption risks and inflation currently represent a minor technical risk. The risk of advanced redemption is monitored on an ongoing basis as the recent trend, if confirmed over the long-term, may create concerns on the financial variables.

Information on Operational Risks

Objectives and criteria of the financial risk management

The financial risk management objectives and policies, as well as the Group mitigation policies, are issued by resolutions of the Board of Directors of the parent company Fondiaria-SAI using guidelines for the allocation of the securities portfolio and the use of financial derivatives.

The policy adopted aims to guarantee:

- adequate diversification, avoiding excessive concentration;
- readily liquid portion of investments;
- ensuring consistency between assets and liabilities using ALM policies;
- prudent management, limiting the exposure in securities with low credit ratings;
- use of derivative instruments principally for hedging purposes.

In line with these objectives, specific operating limits are defined for all types of financial risks, also considering exposure to risk concentration.

The structure of the limits extends to the main asset classes comprising the investments and the limits are defined in terms of:

- maximum percentage per asset class of the total Assets Under Management (Total Investments);

- concentration by issuer/counterparty;
- rating;
- VaR;
- duration gap (Non-Life and Life);
- minimum hedging on strategic investments;
- liquidity – in terms of maximum percentage of "illiquid" instruments.

The portfolio structure of the assets in the Life Insurance Sector is in line with the structure of the liabilities, that these securities are intended to hedge. For the Non-Life Insurance Sector, the assets are selected mainly in view of foreseeable changes in the settlement of claims for which the provision was intended.

Market Risk

Market risk represents the risk of unexpected losses due to changes in interest rates, share prices, exchange rates and property prices.

The Group monitoring system provides for assessment of the economic impact of these variables through VaR measures which permit:

- uniform risk measures which allow comparison of different instruments;
- position limits to be determined;
- "risk-adjusted" measures to be created.

In particular, the measures adopted are:

- short-term VaR, i.e. the VaR calculated on a time period of ten working days;
- Risk Capital, i.e. the VaR calculated on a time period of one year.

The analysis of the VaR and the Risk Capital of the equity and bond portfolio as of December 31, 2012 calculated at a confidence level of 99.5% is shown below.

Table 9 - Analysis of the values and of the Value at Risk at December 31, 2012

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange % %	VaR Total % %
Total listed shares	3.91	10.77	0.03	10.80
Total Derivatives	0.02	N/A	0.00	N/A
Net equity exposure	3.93	4.58	0.03	4.61
Total Bonds and Funds	89.20	0.66	0.01	0.66
Total unlisted shares	2.13	5.56	0.06	5.62
Sub total	95.26	0.93	0.01	0.94
Other assets	4.74	0.69	0.01	0.70
Total	100.00	0.92	0.01	0.93

Table 10 - Analysis of the values and of the Value at Risk at December 31, 2011

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange % %	VaR Total % %
Total listed shares	5.84	11.92	0.14	12.06
Total Derivatives	0.04	N/A	0.00	N/A
Net equity exposure	5.88	7.57	0.14	7.71
Total Bonds and Funds	87.09	1.16	0.02	1.18
Total unlisted shares	3.07	6.19	0.05	6.24
Sub total	96.04	1.71	0.03	1.74
Other assets	3.96	1.24	0.01	1.25
Total	100.00	1.69	0.03	1.72

The percentage weight is calculated taking as reference the listed value.

The column "Price/VaR Rate" and "VaR Exchange %" shows the percentage on the market values.

The analysis does not include the companies DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSAI.

The VaR of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

Table 11 - Analysis of the values and Risk Capital at December 31, 2012

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	3.91	37.73	0.14	37.87
Total Derivatives	0.02	N/A	0.00	N/A
Net equity exposure	3.93	28.69	0.13	28.83
Total Bonds and Funds	89.20	2.72	0.03	2.75
Total unlisted shares	2.13	24.26	0.26	24.52
Sub total	95.26	4.27	0.04	4.31
Other assets	4.74	2.87	0.03	2.89
Total	100.00	4.21	0.04	4.25

Table 12 - Analysis of the values and Risk Capital December 31, 2011

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	5.84	42.90	0.66	43.56
Total Derivatives	0.04	N/A	0.00	N/A
Net equity exposure	5.88	35.56	0.65	36.21
Total Bonds and Funds	87.09	5.47	0.08	5.55
Total unlisted shares	3.07	25.95	0.23	26.18
Sub total	96.04	7.97	0.12	8.09
Other assets	3.96	5.88	0.05	5.93
Total	100.00	7.89	0.12	8.01

The percentage weight is calculated taking as reference the listed value.
The columns "Risk Capital Rate/Price" and "Risk Capital Exchange %" show the percentage on the market values.
The analysis does not include the companies DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSAI.
The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securitiesNella voce altri attivi sono inclusi i titoli strutturati.

The decrease in the overall risk exposure of the portfolio was seen across the various bond and equity sectors following the reduction in volatility on the principal markets

Interest rate risk

In relation to the interest rate risk i.e. "the risk of unexpected loss deriving from an adverse movement in interest rates", the exposure of the Group principally regards debt securities and in particular long-term maturity. In order to limit this risk, the Group utilises a mixture of fixed income and variable rate securities. ALM aims to maintain a balance between the duration of assets and liabilities.

Through the use of stochastic models, in addition to the VaR estimate, stress tests are also undertaken utilising extreme interest rate scenario. The table below reports the sensitivity analysis of the value of the bond portfolio corresponding to a 50 bps increase and decrease in interest rates.

Table 13 – Sensitivity analysis of the bond component

(Euro millions)	**+ 50 bp**		**- 50 bp**	
	31/12/2012	**31/12/2011**	**31/12/2012**	**31/12/2011**
Total	**(542)**	**(430)**	**(573)**	**456**
of which Non-Life	(132)	(53)	(137)	55
of which Life	(411)	(377)	(436)	401

The Held To Maturity and Loans and Receivables categories are not included

The table below shows the analysis of the duration, VaR and Risk Capital of the bond portfolio at December 31, 2012 broken down by type of issuer and maturity.

Table 14 - Analysis of the bond component by VaR and Risk Capital maturity

Type	Composition % (Exact holding)	Macaulay Duration	Sensitivity Rate %	VaR Rate %	Risk Capital Rate %
Government Euro	**85.10**	**5.39**	**(3.63)**	**0.68**	**2.85**
Variable rate	***14.18***	***0.70***	***(0.63)***	***0.10***	***0.40***
Fixed rate	***70.91***	***6.26***	***(4.18)***	***0.80***	***3.34***
0,0< <=1,5	9.23	0.62	(0.60)	0.09	0.07
1,5< <=3,0	10.11	2.13	(1.94)	0.32	0.89
3,0< <=5,5	11.54	4.07	(3.37)	0.60	2.31
5,5< <=7	7.46	5.60	(4.32)	0.82	3.42
>7	32.58	9.33	(5.76)	1.21	5.38
Corporate Euro	**14.20**	**3.53**	**(2.79)**	**0.48**	**1.78**
Variable rate	***0.13***	***0.34***	***(0.31)***	***0.04***	***0.26***
Fixed rate	***14.07***	***3.55***	***(2.81)***	***0.49***	***1.80***
0,0< <=1,5	3.94	0.91	(0.87)	0.13	0.12
1,5< <=3,0	2.82	2.03	(1.85)	0.30	0.80
3,0< <=5,5	4.14	4.05	(3.34)	0.59	2.29
5,5< <=7	0.97	5.57	(4.30)	0.78	3.24
>7	2.18	7.52	(5.25)	1.04	4.53
Euro Bond Funds	**0.51**	**3.00**	**(2.63)**	**0.42**	**1.45**
Fixed rate	0.51	3.00	(2.63)	0.42	1.45
1,5< <=3,0	0.51	3.00	(2.63)	0.42	1.45
Government Non Euro	**0.13**	**3.27**	**(2.40)**	**0.12**	**0.84**
Variable rate	***0.01***	***0.20***	***(0.20)***	***0.02***	***0.00***
Fixed rate	***0.13***	***3.41***	***(2.50)***	***0.12***	***0.88***
0,0< <=1,5	0.05	0.46	(0.45)	0.03	0.00
1,5< <=3,0	0.03	2.10	(1.97)	0.06	0.31
3,0< <=5,5	0.02	3.05	(2.66)	0.15	1.02
>7	0.03	9.12	(5.81)	0.29	2.54
Corporate Non Euro	**0.06**	**1.06**	**(0.90)**	**0.05**	**0.33**
Variable rate	***0.01***	***0.07***	***(0.07)***	***0.00***	***0.00***
Fixed rate	***0.06***	***1.19***	***(1.00)***	***0.06***	***0.37***
0,0< <=1,5	0.04	0.31	(0.30)	0.02	0.01
3,0< <=5,5	0.01	4.20	(3.42)	0.21	1.64
Total Bonds	**99.49**	**5.14**	**(3.51)**	**0.65**	**2.69**

The percentage weight is calculated taking as reference the values utilised in the analysis.
The analysis does not include structured securities.
The analysis does not include the companies DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSAI.
The sensitivity is calculated as a shock of 100 bps on the short term rate.

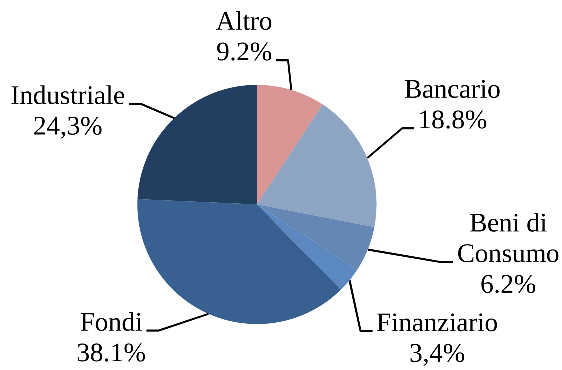
Equity risk, exchange risk and real estate risk

Equity risk i.e. the "risk of unexpected losses deriving from adverse changes in share prices" and the exchange risk i.e. "risk of unexpected losses deriving from adverse changes in exchange rates" are valued as stochastic models adapted to the market.

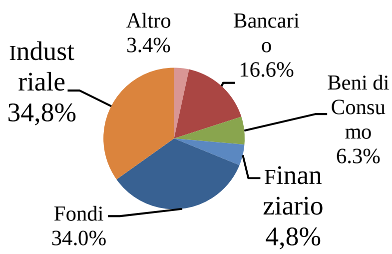
The assets are valued using the volatility of the underlying securities and of their associated benchmarks. The volatility recorded on the basis of the above-mentioned criteria is then used as input for the calculation of the VaR and Risk Capital.

The graphs below show the breakdown of the equity portfolio by sector.

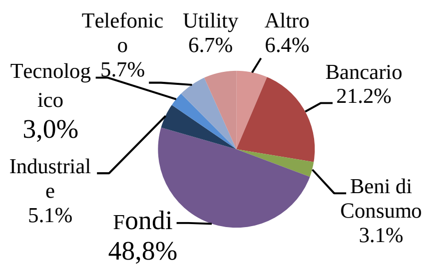
Graph 7 – Breakdown of the equity portfolio of the Fondiaria SAI Group



Graph 8 - Fondiaria SAI Group Non-Life Sector



Graph 9 - Fondiaria SAI Group Life Sector



The impact on the income statement of a reduction in listed equity prices of 10% is shown below. The analysis is undertaken gross of the tax effect and is not calculated within an ALM scenario but only relating to financial assets.

Table 15 – Sensitivity analysis of the listed equity portfolio

(Euro millions)	**31/12/2012**	**31/12/2011**
Total	**(64)**	**(85)**
of which Non-Life	(26)	(34)
of which Life	(38)	(51)

The table below shows the VaR and Risk Capital analysis relating to the equity risk and exchange risk (of the equity and bond portfolio) broken down by currency.

Table 16 – VaR analysis relating to the equity and exchange portfolio at December 31, 2012

Type	Currency	Composition % (Exact holding)	VaR Rate Price%	VaR Exchange %	VaR Total %
Shares	Serbian Dinar	0.00	45.03	3.94	48.97
	US Dollar	0.01	4.84	4.36	9.20
	Euro	3.86	10.74	0.00	10.74
	Swiss Franc	0.02	14.16	0.84	15.01
	UK Sterling	0.02	13.83	2.96	16.79
	Total listed shares	**3.91**	**10.77**	**0.03**	**10,80**
Derivatives on shares	Euro	0.02	N/A	0.00	N/A
	Total Derivatives	**0.02**	**N/A**	**0.00**	**N/A**
	Net equity exposure	**3.93**	**4.58**	**0.03**	**4.61**
Bond funds	Euro	0.46	0.42	0.00	0.42
Bonds	US Dollar	0.11	0.11	4.39	4.50
	Euro	88.57	0.66	0.00	0.66
	Swiss Franc	0.06	0.09	0.86	0.94
	UK Sterling	0.01	0.01	3.02	3.03
	Japanese Yen	0.00	0.16	5.79	5.95
	Total Bonds and Funds	**89.20**	**0.66**	**0.01**	**0.66**
Shares	Serbian Dinar	0.00	2.80	3.94	6.74
	US Dollar	0.03	6.08	4.36	10.44
	Euro	2.10	5.56	0.00	5.56
	Tota Not listed shares	**2.13**	**5.56**	**0.06**	**5.62**
	Total	**95.26**	**0.93**	**0.01**	**0.94**
	US Dollar	0.01	0.65	4.37	5.03
	Euro	4.73	0.69	0	0.69
	Other assets	**4.74**	**0.69**	**0.01**	**0.7**
	Total	**100**	**0.92**	**0.01**	**0.93**

The percentage weight is calculated taking as reference the listed value.
The column "VaR Price %" and "VaR Foreign Exchange %" shows the percentage on the market values.
The analysis does not include the companies DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSAI.
The VaR of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

Table 17 – Risk Capital analysis relating to the equity and exchange portfolio at 31/12/2012

Type	Currency	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Shares	Serbian Dinar	0.00	97.44	18.51	-
	US Dollar	0.01	22.34	20.35	42.68
	Euro	3.86	37.58	0.00	37.58
	Swiss Franc	0.02	54.54	4.16	58.70
	UK Sterling	0.02	51.37	14.10	65.47
	Total listed shares	**3.91**	**37.73**	**0.14**	**37.87**
Derivatives on shares	Euro	0.02	N/A	0.00	N/A
	Total Derivatives	**0.02**	**N/A**	**0.00**	**N/A**
	Net equity exposure	**3.93**	**28.69**	**0.13**	**28.83**
Bond funds	Euro	0.46	1.45	0.00	1.45
Bonds	US Dollar	0.11	0.79	20.48	21.26
	Euro	88.57	2.73	0.00	2.73
	Swiss Franc	0.06	0.59	4.23	4.82
	UK Sterling	0.01	0.00	14.40	14.40
	Japanese Yen	0.00	1.15	26.46	27.61
	Total Bonds and Funds	**89.20**	**2.72**	**0.03**	**2.75**
Shares	Serbian Dinar	0.00	13.39	18.51	31.90
	US Dollar	0.03	27.47	20.35	47.82
	Euro	2.10	24.23	0.00	24.23
	Total non-listed shares	**2.13**	**24.26**	**0.26**	**24.52**
	Total	**95.26**	**4.27**	**0.04**	**4.31**
	US Dollar	0.01	2.7	20.42	23.12
	Euro	4.73	2.87	0	2.87
	Other asssets	**4.74**	**2.87**	**0.03**	**2.89**
	Total	**100.00**	**4.21**	**0.04**	**4.25**

The percentage weight is calculated taking as reference the listed value.
The column "Price Risk Capital %" and "Risk Capital Foreign Exchange %" shows the percentage on the market values.
The analysis does not include the companies DDOR Life, Lawrence Life, the Tikal Fund, the Athens Fund and BancaSAI.
The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).
The account other assets includes structured securities.

In relation to the real estate risk, i.e. the risk related to the unexpected depreciation of the value of property, the valuation is made based on the type of investment and reference to fair value. The analysis model for residential and commercial buildings is adapted to a historical series of price indices, relating to the trend in market prices recorded in the real estate transactions at a national level.

Credit risk

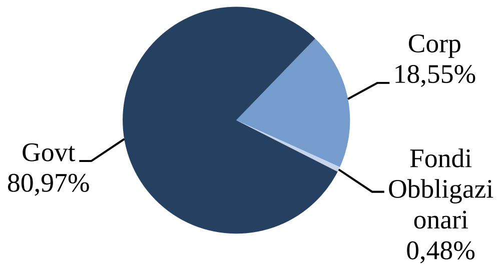
The analysis of the credit risk is broken down as follows:

- Counterparty Default Risk, i.e. the risk of possible losses due to unexpected defaults by counterparties and debtors, excluding issuers of bond securities falling under spread risk. In general, this category includes receivables from reinsurers, other receivables and receivables relating to exposure in derivatives.
- Spread Risk, i.e. the risk related to the change in the value of the bonds held in portfolio against changes in the ratings level of the issuer.

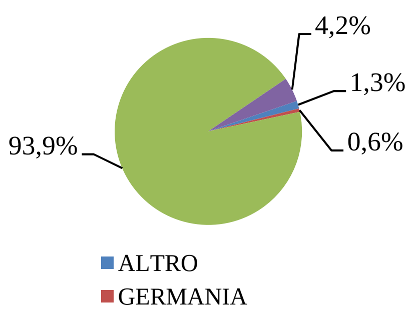
The internal model utilises two models to determine the spread risk.
The first model evaluates the probability of default of the issuers present in the portfolio, while the second takes into account the loss in value of the portfolio as a result of issuer "migration" from one rating class to another. This latter is considered more suitable for the overall determination of the Economic Capital. On the basis of these models, the Group's exposure to the credit risk is periodically monitored.
In relation to the control of overall exposition to credit risk, specific resolutions of the Board of Directors have set fixed limits in terms of concentration for reinsurers and rating classes.
For the Group companies operating in the banking sector, credit risk is analysed through constant monitoring of the quality of the loans. Relating to the receivables from other banks constant valuation is made with reference to the ratings and the limits imposed by the Board of Directors. Receivables from customers principally involve secured guarantees and the allocation of capital is calculated using the regulatory coefficients. The internal control system reports the distribution and the migration between the various classes showing the anomalies.

The graph shows the bond portfolio by issuer, rating and segment.

Graph 10 – Breakdown of the bond portfolio of the Fondiaria SAI Group

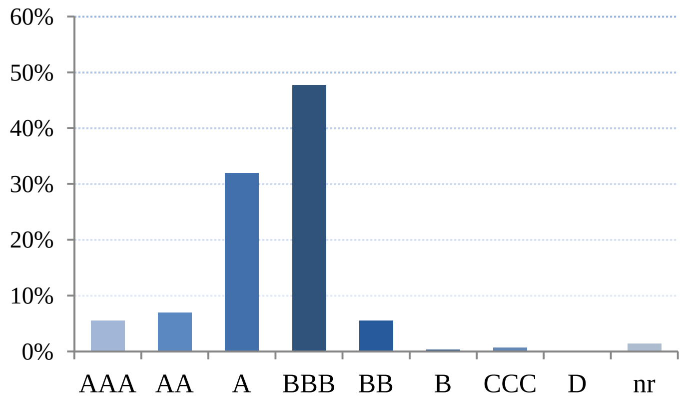


Graph 11 – Government bond portfolio by country

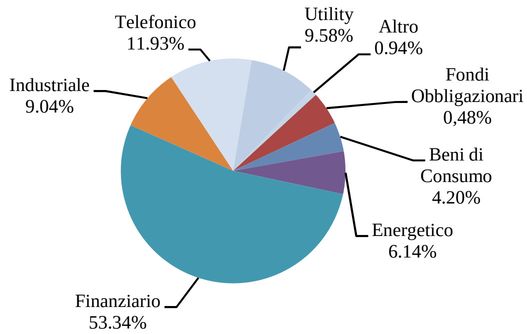


Issuers Country	Quota(%)
AUSTRIA	0.08
BELGIUM	0.03
CANADA	0.04
FINLAND	0.06
FRANCE	0.40
GERMANY	0.59
GREECE	0.01
IRELAND	0.21
ITALY	93.85
MEXICO	0.02
HOLLAND	0.03
PORTUGAL	0.02
SERBIA	0.02
SOVRANATIONAL	4.22
SPAIN	0.32
UNITED STATES OF AMERICA	0.06
SWITZERLAND	0.03

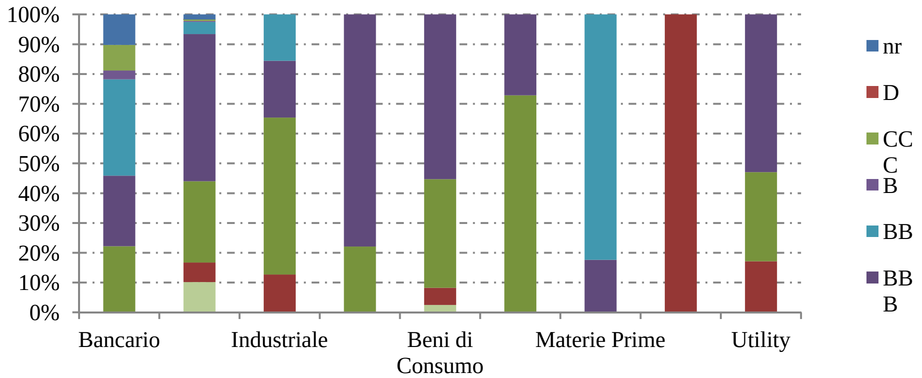
Graph 12 – Corporate bond portfolio by Standard & Poor's equivalent rating



Graph 13 – Breakdown of corporate bonds by segment



Graph 14 - Corporate bond portfolio by sector and rating

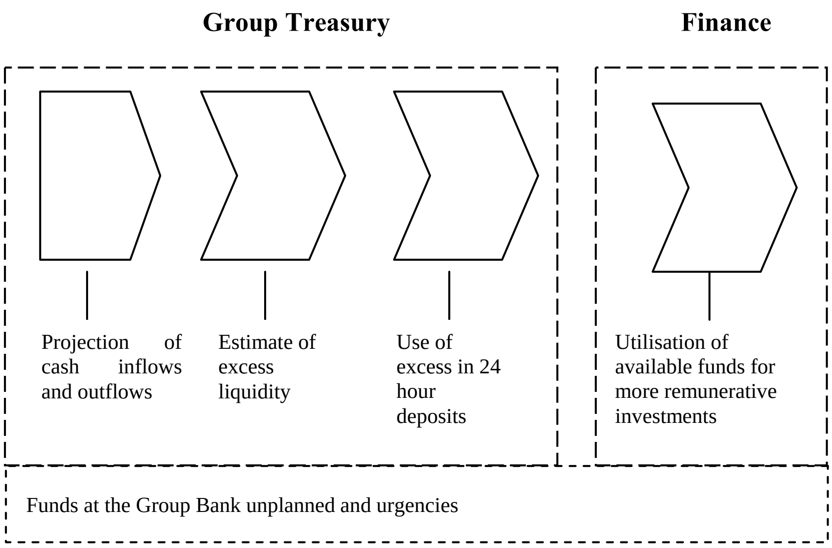


Liquidity risk

Liquidity risk is "the risk of not being able to fulfil obligations towards policyholders and other creditors due to difficulties in converting investments into cash without incurring losses".

To manage its liquidity the Fondiaria SAI Group adopted an organisational system based on centralised Group Treasury cash management. This system guarantees, not only rational monitoring of all the inflows and outflows (assisted by daily cash pooling), but also the optimisation of returns on the liquidity realised through the centralised management of the excess liquidity in respect of scheduled commitments. The Group Treasury activities seek to ensure a balance between the maintaining of sufficient liquid funds to cover any unexpected obligations to policyholders and suppliers and allocating excess liquidity to more remunerative investment operations.

In particular these activities, principally undertaken over a ten day time period, are structured according to the following graphic:



Funds in 24 hour time deposits are managed by bank counterparty according to the following criteria:

- maximisation of returns;
- reliability of the counterparty;
- diversification among several counterparties.

Limits have been set for investments, on the basis of the Group Risk Policy, in terms of illiquid assets as a proportion of total assets under management (AUM).

The Solvency II convergence project

As described in detail in the Section “Economic Environment”, particularly in relation to the Regulatory Development Paragraph, the Solvency II Directive was published in the Official Gazette of the European Union on December 17, 2009. On March 21, 2012, the Economic and Monetary Affairs Commission of the European Parliament approved the report prepared by Burkhard Balz on the “Omnibus II” Directive proposal. The negotiations between the three major European institutions (The Commission, the Parliament and the European Council of Ministers) therefore began based on the respective approved documents. In October 2012, the legislative process for the approval of the Omnibus Directive stalled. The debate concerning the approval will be restarted once the outcome of the impact assessment on long term guarantees is reviewed, a study which will begin on January 28, 2013 and will conclude at the end of March with the publication of results in June 2013.

On December 20, 2012 the EIOPA published an opinion on the manner for implementation of Solvency II at a national level. The EIOPA requested the National Supervisory Authorities to put in place a series of measures to guarantee the entry into force of a number of fundamental aspects of the Regulation (Governance System, Risk Management System, ORSA, pre-application of the internal model), from January 1, 2014.

At the beginning of spring 2013, the EIOPA will issue a series of guidelines for the relevant National Authorities in the phase of advanced introduction of a number of parts of Solvency II, with particular regard to the Governance System, including the self-evaluation of the Company risk process based on the ORSA principles, the pre-application procedure of the internal models and the preparation of disclosure for the supervisory authorities.

With specific regard to the Solvency II compliance project, it is stated that the Fondiaria SAI Group will put in place all activities necessary to standardise the internal model to the new enlarged scope of Unipol Gruppo Finanziario (UGF).

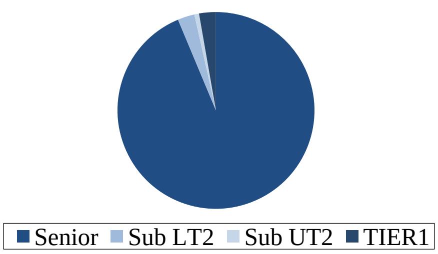
Debt classes

Insurance companies increasingly use “hybrid” debt instruments in their portfolio, with features of both bonds and equities, which attribute to the holders a greater return compared to normal debt securities but which also present greater risk in the event of issuer default, such as lower priority in repayment compared to other credit lines held (debt seniority).

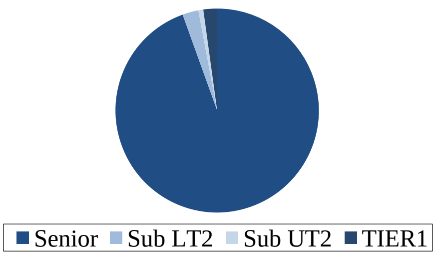
Following a rising order of “risks” and of “subordination”, Senior debt is technically the simplest and least risky form: these securities have a defined maturity, no early repayment option, and payment of the coupon cannot be deferred without incurring a default event. More risky are the Tier 2 and Tier 1 subordinated capital levels, further broken down into Lower Tier 2 (Sub LT 2, less risky) and Upper Tier 2 (Sub UT 2, more risky). Tier 1 is the maximum level of subordination of a debt instrument, with features similar to those of a privileged shareholder.

The breakdown of the debt portfolio of the two listed companies of the Group by category is shown below.

Graph. 15: Fondiaria-SAI



Graph. 16: Milano Assicurazioni



Seniority	Composizione in %
Senior	93,6
Sub LT2	2,8
Sub UT2	0,8
TIER1	2,8

Seniority	Composizione in %
Senior	94,6
Sub LT2	2,7
Sub UT2	0,7
TIER1	2,1

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

(Values in Millions of Euro)	31/12/2012	31/12/2011
up to 1 year	422	642
from 1 to 5 years	375	605
from 6 to 10 years	740	370
over 10 years	696	696
Total	**2,233**	**2,313**

The main financial liabilities are subordinated liabilities, which account for approx. 46% of the total financial liabilities of the Group and over half have maturity above 10 years.

On the other hand the positions due within one year mainly relate to deposits held by BancaSai with its customers for Euro 167 million, deposits from reinsurers for Euro 153 million and bank deposits of Group companies for Euro 9 million.

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

(Euro millions)	31/12/2012		31/12/2011	
	Cash flow non discounted contracts	Book value	Cash flow non discounted contracts	Book value
up to 1 year	-	-	-	-
from 1 to 5 years	-	-	-	-
from 6 to 10 years	516	352	539	353
Over 10 years	1,166	696	994	696
Total	1,682	1,048	1,533	1,049

Information on insurance risks

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.

(Values in Millions of Euro)	31/12/2012	31/12/2011
up to 1 year	2,321	2,426
from 1 to 5 years	9,486	13,564
from 6 to 10 years	7,106	5,674
over 10 years	2,605	2,747
Total	**21,518**	**24,411**

The total, which refers to gross direct business, includes actuarial provisions for Euro 14,930 million (Euro 15,147 million at December 31, 2011), insurance contract liabilities where investment risk is borne by policyholders and management of pension funds for Euro 5,861 million (Euro 7,666 million at December 31, 2011), financial contract liabilities of insurance companies for which the investment risk is borne by the policyholders for Euro 162 million (Euro 964 million at December 31, 2011), and management of the pension funds for Euro 318 million (Euro 276 million at December 31, 2011) and zero for deposit accounting.
Also included is the provision for sums payable of Euro 247 million at December 31, 2012 (Euro 358 million at December 31, 2011), which by its nature has a residual maturity substantially at one year.

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 provision by maturity. The total provisions are shown by duration in proportion to the expected cash flows for each interval shown.

(Values in Millions of Euro)	31/12/2012	31/12/2011
up to 1 year	5,522	6,054
from 1 to 5 years	5,022	4,521
from 6 to 10 years	1,119	1,324
over 10 years	276	517
Total	**11,939**	**12,416**

The total includes the premium provision for Euro 2,470 million (Euro 2,707 million at December 31, 2011), the claims provision for Euro 9,482 million (Euro 9,699 million at December 31, 2011) and the other technical provision represented by the ageing provision of the Health Class for Euro 9 million (Euro 9 million at December 31, 2011).

Amounts, timing and level of uncertainty in cash flows relating to insurance contracts

In accordance with paragraphs 38 and 39 of IFRS 4, this section reports with separate disclosure for the Non-Life insurance and Life insurance sectors, information regarding the objectives in the management of the risks related to the insurance contracts and the policies adopted to contain them, the contractual clauses and the general conditions therein which have a significant effect on the amount, on the timing, and the level of uncertainty of future cash flows.

NON-LIFE INSURANCE SECTOR

The underlying risk elements in the management of the Non-Life insurance sector relates to underwriting risk (insufficient premiums to cover claims and expenses) and the provision risk (insufficient provisions to meet commitments assumed in respect of policyholders).

The underwriting risk is divided into mass risks, corporate risks and special risks. The mass risks, such as those relating to Motor TPL, Land Vehicles, as well as those relating to individual personal risks (Accident and Health), households (Residential and Civil Liability) and small enterprises (trades and commerce) are covered with predefined standard conditions which are determined by the central technical offices on the basis of existing regulations, by insurance market experience and by the specific experience of the Group.

In general, for mass risks and in any event, all the risks where regulatory and standard tariff conditions exist, the underwriting takes place with the various agency networks utilising adequate IT procedures. Within standard parameters, the commercial networks must utilise a flexible tariff system monitored centrally. In the event that the needs of a specific Customer requires a change in the standard conditions, the granting of the exception is assessed and authorised by the Technical Department of the Company.

In relation to the corporate risks and special risks, which for their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured.

Underwriting Risk

Mass risks

In the Motor TPL class, in which the Group is leader, and which represents the largest part of the portfolio, the important mass of statistical data held allows for preparing sophisticated "personalised" tariffs which takes into account a large number of risk factors, both subjective and objective. The base data available are in fact statistically significant and allow the use of multilevel analysis which, through "General Linear Models" permits the evaluation of the relationship between risk factors, highlighting all those features not directly identifiable with analysis only by single factor.

The tariffs are monitored monthly and periodically reviewed. The portfolio is also subject to continual examination in order to identify any abnormal situations, at geographical level and for the remaining risk factors in order to also permit timely corrective interventions against any changes in the technical trends and which may result in the introduction of the direct compensation system.

Similar attention is given to the best customers whose loyalty is encouraged by means of incentive initiatives not only for existing contracts, but also, with initiatives focused on the acquisition of new niche markets.

In the Land Vehicle class, which is traditionally a very important business area, the tariffs are established, in the case of the Fire and Theft guarantees, based on the geographical location, the type of vehicle insured, in addition to the guarantees provided. The fully comprehensive insurance guarantee however is on the other hand a tariff based on the Bonus Malus class, on the age of the owner and the age of the vehicle insured. The customer can also choose between different insurance levels which allows for a significant difference in the price of the various guarantees.

Also for the Non-Motor Classes, in mass risks the principal underwriting and tariffs are strictly correlated to the statistical experience of the portfolio of the Group which is sufficiently large and stable to permit the setting of guarantees and prices suitable to the various risk types. In particular, in the Health Class the underwriting of the risks is accompanied and subordinated to the evaluation of a medical history questionnaire which enables tariffs based on the individual conditions of the policyholder.

In general, for the mass risks and in any event all risks where regulatory conditions and standard tariffs exist, underwriting takes place with adequate agency networks IT procedures and training.

Within the standard parameters, the commercial networks may adopt tariff flexibility which is monitored centrally. In those events in which the needs of a specific Customer require a change in the standard conditions, any granting of an exception is assessed and authorised by the Technical Department of the Group.

Corporate Risks and Special Risks

In relation to the corporate risks and special risks, which due to their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured.

The agency networks have an independent underwriting limit by value and type of risk; above these limits the underwriting of risks is assisted by a network of appropriately trained technicians that assess the risks and the conditions on a case-by-case basis.

Bonds

With particular reference to the Bond Class, risk analysis is carried out in advance and careful selection undertaken by means of a double examination:

- under the objective profile, the examination of the nature and the specific characteristics of the original transaction, which prompted the request for the bond, first aims to assign the transaction under review to categories of risks within the class on the basis of the regulations governing them; secondly, special attention is paid to verifying the features of the bond contract which must always respect the right of secondary obligations with regard to the principle obligation;
- under the subjective profile, the examination relates to the valuation of the equity values as well as all the elements relating to mortality, professional capacity and solvency of the Counterparty.

Both the aspects, objective and subjective, are carefully evalued through the acquisition of specific financial documentation (financial statements, incorporation deeds, By-laws, Chamber of Commerce certificates, Shareholders etc.) sent by the agencies to the Technical Department of the Region or head office. This documentation is updated with appropriate commercial information through specialised companies and with further investigations relating to the history of the relationship with the Customer, made in the class databank, in order to verify the accumulative exposure to the parties.

The above activity aims to quantify a total "underwriting limit" with the party, requested, within precise and contained limits, by the individual technician; above these limits, the cases are presented to the internal boards of the classes, represented by the ""Credit Committee".

The issuance of the bond policies is then made by the agencies, through an IT procedure which undertakes a preventive control of the cumulative exposure, up to the limits of the underwriting agreed.

All the bond policies issued by the Class are adequately protected through the placement of 50% in a proportional reinsurance agreement with capacity of Euro 70 million, to be used without distinction by the individual Insurance company (Fondiaria-SAI or Milano) or at Group level (in this case for Liguria Assicurazioni there is a sublimit of Euro 15 million). In addition, a further coverage exists through an "excess claims" agreement to protect the net retained amount, on the individual risk or event, with retention equal to Euro 2.5 million up to Euro 25 million.

Otherwise, in order to guarantee an adequate fractioning of the risk, containing the exposure points, the Group uses the Coinsurance instrument, as part of a reciprocal system with the insurance Companies that adopt similar underwriting policies based on the principles of caution and careful risk selection.

Hedging of Catastrophic exposure

The processes adopted by the Group to optimise the control of the exposures to catastrophic risks are reported below.

Particular attention is given to the risk concentrations in certain classes, utilising, in accordance with their specific characteristics, appropriate calculation methods.

The Fire Class, due to the greater volumes involved, requires particular and differentiated attention, especially in relation to the earthquake and flood risks; for this reason concentration valuations are made on a geographic, seismic and also a hydrogeological basis.

Exposure concentrations by seismic area are updated during the year and subsequently modelled once a year using principally the two universal products adopted by the international markets (RMS RiskLink DLM and EQECAT WorldCAT), but also utilising a third tool (AIR II)..

The relative results are subsequently analysed with the assistance of international operators, in order to achieve adequate reinsurance protection based on the two models utilised.

Specifically, a return by catastrophic claim term was adopted of approx. 250 years.

The Land Vehicle Class is very similar to the Fire Class, and has the same reinsurance cover per event.

The Technological Risk Class, thanks to the specific proportional programmes adopted, does not give rise to particular concerns, in that the risks are protected based on the year of subscription; the net retention is however protected for event cover.

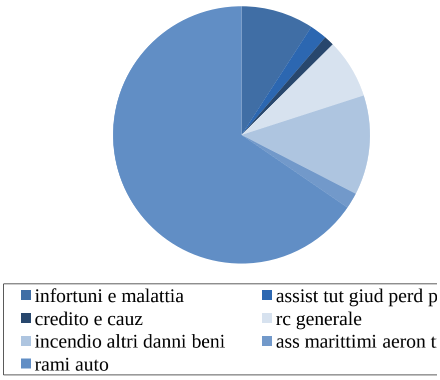
The potential risk concentration following the bankruptcy of a single policyholder in the Bonds Class is protected thanks to a claims excess programme, which guarantees all the acceptances made during the past years of subscription.

Finally, it is reported that the underwriting in the Injury class is protected with an ample catastrophe programme which operates together with the net retentions deriving from policies underwritten by the Life insurance sector.

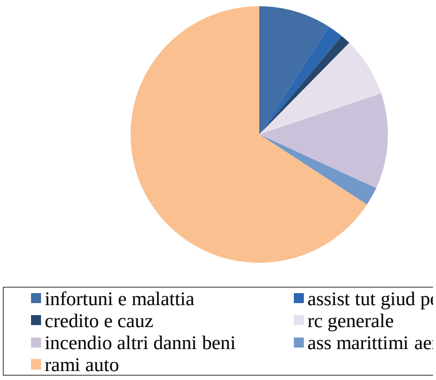
The percentage breakdown of the Non-Life classes in the Group for the last two years is shown below:

Graph 17 – Breakdown of the Group Non-Life Classes

2012



2011



Class	Compos. in %	Class	Compos. in %
accident and health	9,15	accident and health	9,11
legal assistance	2,16	legal assistance	1,98
bond	1,26	bond	1,25
General tpl	7,47	General tpl	7,48
Fire and property	12,54	fire and property	12,04
marine, aviation	1,98	marine, aviation	2,35
Motor Sector	65,44	Motor Sector	65,80

It is evident that the Motor Classes in the Group make an important contribution to the future financial cash flows. This is a stable portfolio not subject to significant fluctuations such as to impact on future projections.

The motor products were recently redefined in order to improve customer service and represent more closely the market offer.

The Motor TPL sector, due its inherent characteristics, does not have particular concentrations of risk; there may be single events of particular gravity, but the size of the portfolio, also geographically distributed uniformly throughout the country, can absorb such events without significant impact on the results.

In any event, for the events of extreme and unforeseen gravity the Group is protected by adequate reinsurance cover with primary Reinsurers.

In relation to the Land Vehicle portfolio, risk concentrations are assumed especially in the case of atmospheric events of extreme intensity or natural catastrophes (floods, earthquakes, storms or hailstorms); these concentrations are calculated on a geographical basis and are subject to common reinsurance protection with the Fire Class.

In the Non-Motor Non-Life Sector, the Group operates in all sectors with the sole exception of the credit class which is underwritten on an irregular basis.
For some classes such as Legal Assistance and Protection, the underwriting at Group level is centred in specialised single class insurance Companies such as Pronto Assistance and Europa Tutela giudiziaria; for the other classes such as Transport and Goods, SIAT, that has specific and recognised expertise, undertakes a central role for

the whole Group.

The risks of the other non motor Non-Life Classes are underwritten by all the insurance Companies of the Group principally through exclusive agency networks, but also through intermediaries and in some cases through multi mandate agency networks and bancassurance agreements.

Concentration risk and use of co insurers

The Group utilises co-insurance i.e. the division of the risks into quotas established with other insurance Companies, both for commercial reasons at local level and to limit insurance exposure in the case of large risks.

In 2012, Group policies, already implemented in the previous years, confirmed the maintenance of the portfolio breakdown, with a prevalence of risks assumed in Exclusive Delegation: in fact no significant or substantial changes were made with respect to the underwriting strategies of the previous years.
With reference to the Bond Class, in 2012 the policy relating to the underwriting of risks under Other delegations was characterised by a greater selection of insurance companies making coinsurance offers, favouring those that maintain underwriting policies similar to our Group.

In relation to Other delegations, in 2012 the weight of these premiums was 7.7%, in line with 2011 (7.8%). The weight of the total cost of the claims increased to 11.7% (8.0% in 2011).

Provision risk

The second component of the insurance risk of the Non-Life Sector i.e. the provision risk, relates to the uncertainty connected to the use of the claims provision. This refers to the risk that the claims provision may not be sufficient to meet the commitments with policyholders or damages.

The provision risk, as related to the estimate of the provision, can be monitored from the basic information traceable from the claims triangular".

In accordance with the requirements of paragraph 39 of IFRS 4, information is provided below relating to changes in the Civil Liability classes claims.

The tables below are compiled from official data from forms provided to the Supervision Authority by the Fondiaria-SAI Group (ref. form 29 and attachment 1/29, form 29A).

Each piece of data on the "triangle" represents a snapshot of the generation cost at December 31 of the year of observation, represented by the sum of the following components:

- cumulative payment in the year of occurrence at December 31 of the year of observation;
- provision on open claims, referred to December 31 of the year of observation;
- estimate of the late claims of the year of occurrence at December 31 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.

It is considered appropriate to represent changes in claims only for the civil liability classes (motor and general civil responsibility) since they are the Group's most representative classes: over 72% of the claims paid belonged to these two classes.

The General TPL Class in particular is characterised by a slow reversal and a high number of late claims, in particular due to the objective difficulty in the determination of the generation cost, especially in the first years of observation. This situation, common to all classes, is particularly marked for the General TPL Class.

(Euro millions)

CLASSES 10 + 12 (Motor TPL)	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Estimated costs											
At the end of the year	3,214.3	3,246.0	3,346.0	3,300.0	3,135.9	3,025.9	3,219.5	3,041.8	2,825.4	2,360.7	
After one year	3,088.8	3,187.9	3,226.9	3,375.5	3,031.1	3,056.4	3,199.6	3,194.9	2,779.4		
After two years	3,110.4	3,145.4	3,194.8	3,416.6	3,123.7	3,186.0	3,422.4	3,399.8			
After three years	3,111.4	3,065.8	3,265.0	3,394.1	3,233.4	3,336.0	3,545.2				
After four years	3,131.3	3,106.7	3,283.7	3,500.7	3,347.2	3,451.3					
After five years	3,159.0	3,129.1	3,343.2	3,684.7	3,448.1						
After six years	3,219.4	3,195.4	3,457.2	3,646.8							
After seven years	3,255.8	3,268.3	3,472.9								
After eight years	3,303.9	3,280.9									
After nine years	3,346.0										
Est. final costs	**3,346.0**	**3,280.9**	**3,472.9**	**3,646.8**	**3,448.1**	**3,451.3**	**3,545.2**	**3,399.8**	**2,779.4**	**2,360.7**	**32,731**
Payments	**3,196.0**	**3,117.6**	**3,234.6**	**3,338.3**	**3,090.5**	**3,024.3**	**3,027.9**	**2,707.8**	**1,970.2**	**884.8**	**27,592**
Provision amounts	**150.0**	**163.2**	**238.4**	**308.5**	**357.6**	**427.0**	**517.2**	**692.0**	**809.2**	**1,475.9**	**5,139**

(Euro millions)

CLASS 13 (General TPL)	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Estimated costs											
At the end of the year	312.3	324.6	343.6	382.0	373.5	374.6	465.8	549.1	503.7	438.2	
After one year	350.8	337.0	360.7	371.6	371.6	388.8	440.4	510.7	464.6		
After two years	318.5	346.8	358.5	385.1	370.4	390.7	466.7	557.4			
After three years	325.8	350.6	359.8	378.6	382.3	420.5	497.4				
After four years	330.0	355.9	355.7	388.0	397.1	441.4					
After five years	336.6	350.6	364.2	406.3	417.0						
After six years	329.8	360.3	378.0	427.6							
After seven years	336.7	371.7	395.4								
After eight years	342.4	385.5									
After nine years	351.2										
Est. final costs	**351.2**	**385.5**	**395.4**	**427.6**	**417.0**	**441.4**	**497.4**	**557.4**	**464.6**	**438.2**	**4,376**
Payments	**270.9**	**281.3**	**269.4**	**270.0**	**248.0**	**238.2**	**225.0**	**206.2**	**134.9**	**50.2**	**2,194**
Provision amounts	**80.4**	**104.2**	**126.0**	**157.6**	**169.0**	**203.3**	**272.3**	**351.2**	**329.7**	**388.0**	**2,182**

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 late 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

The table below sets forth the situation of the claims for the companies within the Fondiaria-SAI Group and Milano Assicurazioni still open at the end of 2012, compared with the number of claims reported in the various years.

Generation	Number of reported claims(*)	Number of claims open	% on reported claims
2001	996,787	1,012	0.10
2002	987,098	1,413	0.14
2003	959,946	1,959	0.20
2004	929,973	2,213	0.24
2005	929,388	3,301	0.36
2006	912,798	4,916	0.54
2007	882,694	6,012	0.68
2008	828,451	10,824	1.31
2009	865,000	17,481	2.02
2010	818,587	25,301	3.09
2011	749,328	37,775	5.04
2012	573,580	136,987	23.88

(*) Excluding the CID Mandates claims reported since. 01/02/2007 with the introduction of the direct compensation which are considered the claims caused (NO CARD + CARD DEBITOR).

Card management from February 1, 2007

Generation	Number of reported claims	Number of claims open	% on reported claims
2007	428,094	1,191	0.28
2008	537,499	3,505	0.65
2009	665,073	8,172	1.23
2010	614,066	11,825	1.93
2011	549,100	18,526	3.37

Verification of the liabilities

The premium provision for risks in progress is created, in accordance with Article 16 of ISVAP Regulation No. 16/08, to cover the risks on the company after the year-end, in order to meet all claim costs that may arise on contracts which gave rise to the formation of the provision for the premium fraction.

The calculation method adopted for this provision used the empirical method suggested by the above-mentioned Regulation. This latter provision is in line with the adjustment test of the insurance contract liabilities of the Non-Life Classes required by IFRS 4 (so-called LAT).

The current method in the determination of the claims provision in accordance with the last cost criteria is also regarded methodologically appropriate to represent the future cash flows in the portfolio in force.

LIFE INSURANCE SECTOR

The principal risk management elements in the Life sector relate to financial risks (market, credit and liquidity risks) and to technical risks (longevity, mortality, disability, expenses, redemption, catastrophic risks) for which reference should be made to the respective comments in the section "Information on risks and uncertainties".

With reference to the traditional products, there are two segments which manage different types of insurance coverage:

- individual policies that mainly manage temporary coverage for death stipulated in the "stand alone" form, through annual premium and single premium products with constant or decreasing capital, and in accessory form to other types of policies;
- corporate policies that typical manage risks relating to the coverage conventionally called "assistance" and therefore referring in particular to the event of death and invalidity and to the risk of non self-sufficiency (LTC).

In addition to the traditional contracts which include savings and pension financial products (annuity and deferred capital), the portfolio also includes pure investment contracts, such as unit and index linked contracts, the former linked to internal funds and the latter to fund baskets and equity or stock market indices.

Individual policies

In the individual policies segment, the typical risks insured by the Group are those relating to the temporary coverage for death stipulated in the "stand alone" form, through annual premium and single premium products with constant or decreasing capital, and in accessory form to other types of policies.

For the tariffs of these products, the Group uses specific tariff forms based on official ISTAT statistics related to the mortality of the Italian population, adapted on the mortality history of the portfolio of its policyholders. The current products distributed provide for a personalisation of the cost to the insured party based on whether the policyholder declares to be a smoker or non-smoker. The amount insured is underwritten on the basis of fixed and standard rules, the "underwriting grid". This grid is structured on the basis of a different step-up of capital insured for which there are different types of health events in accordance with the "International Guidelines" in the medical field.

Extra premiums are applied in cases where the professional and sporting activities undertaken by the insured and/or the health conditions are considered to increase the risk.

In addition to a certain level of capital insured, the Group also obtains information of a financial nature in order to evaluate the economic situation of the Customer.

In any case, above a certain threshold of capital insured, a health enquiry is made on the basis of standard medical documentation.

For amounts above a certain threshold, the underwriting of the risk is subject to explicit acceptance by a reinsurer.

In addition, following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums preliminarily agreed with the reinsurer.

The technical performance on the portfolio confirms the personalization historically applied to the statistical base adopted compared to the general ISTAT. The longevity risk is currently marginal - typically related to lifetime annuity - due to the non significant presence of this type of contract in the Company's portfolio.

Corporate Policies

In the Corporate policies sector, the typical risks insured by the insurer relate to the coverage conventionally called "assistance" and therefore with particular reference to the event of death and invalidity and to the risk of non self-sufficiency (LTC).

In consideration of the tariff structures used by the insurance companies within the Group for this type of contract, the verification that the insurance cover is due to an objective situation - an obligation of law and company regulations - which involves an entire group in an uniform manner, is requested; therefore, all requests for insurance cover based on the needs of single individuals are excluded methodologically in order to exclude the origin of all forms of non selection of the risk.

This fundamental rule is supplemented by further limitations relating to the determination of the capital and insured amount.

The insured amount is underwritten based on standard variable rules (insurance grid) according to the type of counterparty and the number of individuals in the group; in any case, above a certain threshold of capital/amount insured, a health evaluation is always made based on standard medical documentation.

For amounts above a certain threshold, also in this case, the underwriting of the risk is subject to the explicit acceptance by a reinsurer.

It is recalled finally that following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums, sometimes agreed in advance with the reinsurer.

Particular attention is paid to the underwriting of cumulative risks, normally regulated through the application of a limitation clause of the amount payable by the insurer on death following a catastrophic event.

Insurance companies use a specific tariff form - determined not only on the general mortality/invalidity experience of the Italian population, but specifically calibrated on the claims trend of the portfolio of the company – which ensures the recurring monitoring of the trend both within the portfolio acquired and of the individual policies considered sensitive in terms of exposure and overall capital.

The technical performance on the portfolio confirms the personalisation historically applied to the statistical base adopted compared to the general ISTAT base.

Also for this class of risks, the longevity risk is marginal and typically related to annuity portfolios, due to the almost total absence of this type of contract in portfolio.

This risk is however present in the portfolio of the company, in key projections against deferred annuity contracts on Pension Funds or on single Companies which have activated internally a specific complementary pension internally for employees.

In this area, the Group has implemented for some time a distribution policy concentrated on the creation of tariff forms which utilise the most updated base statistic bases and a careful evaluation of guaranteed financial returns, subject to constant monitoring on the markets. The overall evolution of the portfolio shows a high level of stability in policies covering death/invalidity risk and those for corporate provisions required by law (Employee Leaving Indemnity) and complementary provisions (pension funds), due to the consultancy carried out by our sales network, with an increase related to salaries.

The portfolio related to the management of the liquidity of the companies, however is handled through specific financial capitalisation policies of the premiums paid by the counterparty on a minimum guaranteed return and annual performance consolidation basis and shows strong acceleration in line with the market demand.

In relation to this, particular attention is paid to the concentration of the commitments on individual counterparties in order to avoid negative impacts on the company accounts in the event of early redemption, which generally could occur in challenging economic times for the insurer.

This is avoided with an internal regulation which requires a limit on the presence of these contracts not greater than a determined percentage of the investments of the segregated fund whose contracts are related and the application of penalties for early redemption and appropriate notice periods for the exercise of the redemption.

Classification of Life product risks

The Group's portfolio can be classified into three macro homogenous groups according to of their technical characteristics and the products' offering:

- risk products, for which the offering consists in the protection of the individual and his/her family by guaranteeing a certain economic standard of living in case of unexpected events;
- pure investment products that are offered mostly as solutions to treasury needs of small and medium enterprises, as a substitute to other opportunities offered by financial markets;
- products aimed at medium and long term savings, even with a view to achieve social security.

As concerns traditional products, the first category includes all those contracts that include a significant component of death risk, such as term life and endowment life, whilst the second category includes contracts with a significant investment component such as capitalisation insurance, and the third category includes primarily annuity and deferred capital contracts.

Apart from traditional products, the portfolio also includes unit and index linked products, the first are linked to internal funds and the second are linked to baskets of UCITs, equity or stock exchange indexes.

A Life product is classified as an insurance product if the insurance risk is significant, that is if the occurrence of an insured event gives rise to significant additional benefits being paid by the insurer. "Additional benefits" are defined as the amounts payable in case of the occurence of an event in excess of the benefits that would be paid if the insured event had not taken place.

Alternatively, a Life product is considered to be an insurance product if:

- the benefits exceed, conventionally and with a certain consistency, 5% of the amounts that would be paid if the event did not occur;
- it is an annuity in force;
- it contains guaranteed annuity options.

A Life contract that is not an insurance contract is an investment or financial contract.

The classification is performed at a tariff level. Accordingly, there are products that are surely insurance products (example: term death products), products that are certainly investment products (example: capitilisation products), whilst for the remaining products, considerations have to be made at the level of the individual contract for classification purposes.

LAT Model

The model adopted in carrying out the LAT (Liability Adequacy Test), for the purposes of assessing the adequacy of reserves included in the Local GAAP financial statements, generates future flows and has been developed on a “MoSes” platform for the Companies Fondiaria-SAI, Milano Assicurazioni, Popolare Vita and Liguria Vita.

Lawrence Life does not require LAT for contracts classified as insurance as the provision 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 (see Table "Number of policies elaborated").

The table below shows the number of policies elaborated at December 31, 2012.

Division	TOTAL
Fondiaria-SAI S.p.A.	396,102
Milano Ass.ni S.p.A.	208,717
Liguria Vita S.p.A.	17,459
Popolare Vita S.p.A.	124,988
Total	**747,266**

(*) for the collective policies a record was considered for each person insured..

The tariffs modelled for the purposes of the LAT calculation covered almost all of the policies within IFRS 4 at the time of valuation, as illustrated by the table below.

Breakdown of the traditional portfolio by division at December 31, 2012

(€ thousand)

Divisione	Provision elaborated	Total provision	% elaborated
Fondiaria-SAI S.p.A.	6,875,334	7,301,458	94.2
Milano Ass.ni S.p.A.	2,808,169	3,032,237	92.6
Liguria Vita S.p.A.	99,771	110,088	90.6
Popolare Vita S.p.A.	4,104,251	4,147,322	99.0
Total	13,887,525	14,591,104	95.2

The results obtained in the portfolio considered, in accordance with the methods described below, were thereafter proportionally extended to the entire portfolio.

The results obtained in accordance with the methods described below, were proportionally extended to the entire portfolio (se “LAT Valuation” table).

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 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.

For the premium cash flows, only those polices that were paid at the valuation date were considered for each specific tariff.

The recognition of benefits and premiums on the segregated funds was carried out in accordance with the minimum guaranteed return and a return based on the GVT ITL Zero Coupon Curve at 31/12/2012.

In the estimate of the amounts paid following the early redemption by clients 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 considering also inflation.

In each period the cash flow projections are discounted utilising the GVT ITL Zero Coupon rate at December 31, 2012. For contracts with specific assets, the discount rate was taken from the effective return of the securities to cover the provisions, taking into account the credit risk related to the individual securities in the basket.

According to Article 18 of IFRS 4, the level of aggregation with which the test must be carried out must group portfolios subject to similar risks and collectively 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.

Traditional Portfolio

The application of the LAT valuation model provided the results shown below comparing them with the provisions in the accounts considering the actuarial provisions, the future expenses provisions , the additional provisions, for interest guarantee and decreased by the commissions to be amortised described above.

LAT valuation at December 31, 2012

(in Euro thousands)	A=B+C+D-E	B	C	D	E	F	A-F
Popolare Vita	**Total**	**Actuarial**	**Additional.**	**Expense**	**DAC**	**LAT**	**Total LAT**
Popolare Vita	2,761,351	2,749,319	10,572	1,460	-	2,750,963	10,388
Gestione Futuro	134,415	133,480	644	291	-	133,174	1,240
Orizzonte	897,878	897,513	-	366	-	859,315	38,564
Specific assets	184,591	184,591	-	-	-	183,445	1,145
Pres Euro 1	117,950	113,421	3,889	640	-	112,441	5,509
Pres Euro 2002	29,152	29,007	-	144	-	28,789	363
Pres Euro 2004	5,683	5,637	-	46	-	5,601	82
Pop.Vita Previdenza	31,505	31,505	-	-	-	17,827	13,678
Other	3,063	2,849	132	82	-	2,750,963	1,748
TOTAL	**4,165,588**	**4,147,322**	**15,237**	**3,029**	**-**	**4,092,870**	**72,717**

[N.B.: "Other" = ex-Mark, ex-ECU, Dollar, Future integration, TCM

(in Euro thousands)	**A=B+C+D-E**	**B**	**C**	**D**	**E**	**F**	**A-F**
Fondiaria -SAI	**Total**	**Actuarial**	**Additional.**	**Expense**	**DAC**	**LAT**	**Total LAT**
Fondicoll	2,435,738	2,415,551	7,141	13,046	-	2,427,764	7,974
Fonsai Re	1,506,539	1,510,759	1	4,312	8,532	1,436,512	70,027
Nuova Press	1,104,398	1,092,029	645	11,724	-	1,073,171	31,228
Press	933,208	895,026	33,907	4,275	-	903,812	29,396
Fondirend	417,242	417,020	101	2,476	2,355	402,871	14,371
Fondivita	357,043	343,478	9,794	3,771	-	346,243	10,801
Specific assets	229,651	228,878	-	773	-	228,380	1,271
Fondoviva	175,205	174,740	450	14	-	172,811	2,394
Antares	46,428	45,837	497	94	-	44,626	1,802
Fonsai Fensione	61,964	61,594	-	370	-	52,127	9,837
Not revaluable	45,111	41,442	2,234	1,669	234	(38,515)	83,627
Other	80,255	75,102	4,743	410	-	74,506	5,749
TOTAL	**7,392,782**	**7,301,456**	**59,513**	**42,934**	**11,121**	**7,124,308**	**268,477**

[N.B.: "Other" = Innovation Press, Serie A, Pres ex-Mark, Pres Dollar, Pres ex-Franc, Pres Yen, Press-Prim, Press-Ecu, Vitapress, Artemis

(in Euro thousands)	A=B+C+D-E	B	C	D	E	F	A-F
Milano Ass.ni	**Total**	**Actuarial**	**Additional.**	**Expense**	**DAC**	**LAT**	**Total LAT**
Milass RE	556,301	558,050	9	2,007	3,766	528,198	28,103
Milass Gest1	423,836	413,074	12,156	1,392	2,787	406,394	17,442
Fondoviva	451,909	432,938	17,514	1,458	-	436,117	15,793
Fondo 3°	397,316	397,124	780	2,092	2,680	383,889	13,427
Geprecoll	441,547	437,477	1,553	2,517	-	437,600	3,947
Sasariv	275,006	274,612	93	2,153	1,853	262,176	12,830
Specific assets	151,156	150,624	-	532	-	149,774	1,382
Valutaviva	152,871	149,175	3,204	492	-	131,280	21,591
Not revaluable	47,191	43,159	1,983	2,340	291	(34,633)	81,823
Frevi MAA	29,688	29,284	273	130	-	28,745	943
Milass Pensione	38,398	38,164	-	234	-	32,626	5,772
Dante	24,306	22,794	1,483	30	-	22,967	1,340
Kennedy	8,783	7,910	851	22	-	8,222	561
Tell	10,076	9,050	1,024	3	-	9,280	797
Fondo SI	1,935	1,888	45	3	-	1,778	157
Other	69,955	66,915	2,814	227	-	67,668	2,287
TOTAL	**3,080,274**	**3,032,238**	**43,784**	**15,632**	**11,377**	**2,872,081**	**208,195**

[N.B.: "Other" = Sasariv Pensione, Viva Prim, Bach, Gestiprev, Valuta Maa, Innovazione Maa, First Life

(in Euro thousands)	A=B+C+D-E	B	C	D	E	F	A-F
Liguria Vita	**Total**	**Actuarial**	**Additional.**	**Expense**	**DAC**	**LAT**	**Total LAT**
Liguria Vita	96,101	94,860	105	1,136		91,524	4,577
Specific assets	13,660	13,607	-	53	-	13,565	95
Not revaluable	1,724	1,621	-	103	-	1,580	144
TOTAL	**111,485**	**110,088**	**105**	**1,292**	**-**	**106,669**	**4,816**

Revaluation of benefits:ITAGOV Curve at the valuation date (min. 1.305%; max: 5.148).
Inflation:an inflation rate of 2.40% was adopted, assuming that, over the long-term period, this was sufficiently prudent. This was utilised in the valuation to increase year by year.
Discount rate:ITAGOV Curve at the valuation date (min. 1.305%; max: 5.148).
Redemp., Reductions, Cancell.:the frequency to be eliminated fluctuates in a range between 0.00% and 24.40% for the traditional portfolio and between 0.00% and 33.31% for the Unit and Index portfolio.
Mortality: the actuarial valuations were calculated adopting the probability of survival discounting 40% those deriving from the table SIM/F 2002.
Management expenses:fluctuates in a range between Euro 25/year and Euro 86/year. Annual expenses attributed to the management of the contracts refer to personnel and services related to the management of the existing portfolio.

Index and Unit-Linked Policies

For the valuation of Index and Unit products classified as “insurance” (IFRS 4), it is necessary to verify the adequacy of the insurance contract liabilities recorded in the financial statements in relation to the risks underwritten and to the future expenses.

LAT valuation – Index and Unit insurance at December 31, 2012

(in Euro thousands)	A=B+C+D-E	B	C	D	E	F	A-F
Popolare Vita	**Total**	**Actuarial**	**Additional.**	**Expense**	**DAC**	**LAT**	**Total LAT**
Index	2,039,463	2,032,766	3,555	3,142	-	2,038,439	1,025
Unit	460,681	459,448	295	966	28	454,534	6,147
TOTAL	**2,500,144**	**2,492,214**	**3,850**	**4,108**	**28**	**2,492,973**	**7,172**

(in Euro thousands)	A=B+C+D-E	B	C	D	E	F	A-F
Fondiaria-SAI	**Total**	**Actuarial**	**Additional.**	**Expense**	**DAC**	**LAT**	**Total LAT**
Index	109,829	109,284	50	494	-	109,493	336
Unit	19,321	18,862	269	190	-	18,284	1,037
TOTAL	**129,150**	**128,146**	**319**	**684**	**-**	**127,777**	**1,373**

(in Euro thousands)	A=B+C+D-E	B	C	D	E	F	A-F
Milano Ass.ni	**Total**	**Actuarial**	**Additional.**	**Expense**	**DAC**	**LAT**	**Total LAT**
Index	93,714	93,297	14	403	-	93,537	177
Unit	-	-	-	-	-	-	-
TOTAL	**93,714**	**93,297**	**14**	**403**	**-**	**93,537**	**177**

(in Euro thousands)	A=B+C+D-E	B	C	D	E	F	A-F
Liguria Vita	**Total**	**Actuarial**	**Additional.**	**Expense**	**DAC**	**LAT**	**Total LAT**
Index	5,337	5,299	-	38	-	5,324	13
TOTAL	**5,337**	**5,299**	**-**	**38**	**-**	**5,324**	**13**

Revaluation of benefits:ITAGOV Curve at the valuation date (min. 1.305%; max: 5.148).
Inflation: an inflation rate of 2.40% was adopted, assuming that, over the long-term period, this was sufficiently prudent. This was utilised in the valuation to increase year by year.
Discount rate:ITAGOV Curve at the valuation date (min. 1,305%; max: 5.148).
Redemp., Reductions, Cancell.:the frequency to be eliminated fluctuates in a range between 0.00% and 24.40% for the traditional portfolio and between 0.00% and 33.31% for the Unit and Index portfolio.
Mortality: the actuarial valuations were calculated adopting the probability of survival discounting 40% those deriving from the table SIM/F 2002.
Management expenses:fluctuates in a range between Euro 25/year and Euro 86/year. Annual expenses attributed to the management of the contracts refer to personnel and services related to the management of the existing portfolio..

Guarantee return provision

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 61% (65% in 2011) equal to Euro 10,647 million (Euro 11,620 million in 2011) relate to policies with guaranteed returns of 1% to 3%, while 13.4% (15.7% in 2011) equal to Euro 2,356.4 million(Euro 2,814.2 million in 2011) relate to policies with guaranteed returns of 3% to 5%.
In comparison, the provision for non-guaranteed contracts are modest (Euro 531.2 million increasing on Euro 168.6 million in 2011) while, compared to the previous year, the provisions with guaranteed interest rates on maturity increased from Euro 2,801.9 million in 2011 to Euro 3,442.3 million in 2012 and the provision for contracts with guarantees related to specific assets increased from Euro 535.9 million in 2011 to Euro 577.9 million in 2012.

Insurance provision of the Life segment: guarantee return (*)

(Euro millions)	2012	2011
Provision with guaranteed annual interest rate	**13,008.5**	**14,443.0**
from 0% to 1%	5.5	8.9
from 1% to 3%	10,646.6	11,619.9
from 3% to 5%	2,356.4	2,814.2
Provisions non-guaranteed interest rate	**531.2**	**168.6**
Provisions related to specific assets	**577.9**	**535.9**
Provisions with guaranteed interest rate at expiry	**3,442.3**	**2,801.9**
Total	**17,559.9**	**17,949.4**

(*) The total includes the amount of the direct gross actuarial provisions and the insurance contract liabilities where the investment risk is borne by the policyholders.

Companies considered: Fondiaria-SAI, Milano Assicurazioni, Popolare Vita and Liguria Vita.

Information on operating risks

The Framework of Operational Risk Management

The Fondiaria-Sai Group 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 the Parent Company 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), who reports hierarchically to the Process owner and functionally to the Risk Management Department.

In relation to the classification of the Operating Risks, the model adopted is that of the event type in the banking area (Basilea 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 18 – Classification of the operating risk

1° level of classification

1	Internal fraud
2	External fraud
3	Employment relationship and workplace security
4	Clients, products and business practices
5	Damage to tangible assets
6	Interruption/reduction of operations
7	Execution, delivery and management of processes

Operational activities

During the last quarter of the year an integration process with the Unipol Group of operating risk management was introduced. 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

In substance, the new methodology project, which reached a rather advanced stage, provides for the following:

- 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 activities concerning the management of IT operating risks are under review as the Group organisational model provides for the development of roles and functions. However for 2013 the risk evaluation activities and security policy considerations continue for the components of the IT system stemming from the ex Fondiaria SAI Group.

Other risks

Risk of holdings in the banking and financial sector

Following the entry into force of the 7th update of the Bank of Italy Circular No. 216 and based on indications provided by the Parent Company, approved by the Board of Directors, BancaSai and Finitalia adopted the simplified method for the calculation of the new capital requirements. The method refer to the “first pillar” relating to the credit, counterparty, market, exchange rate and operating risks.
As contained in the above-mentioned regulation, the application of the other two pillars “Prudent Control Process” (ICAAP or Internal Capital Adequacy Assessment Process) and “Public Information” within the Bank Group are the direct responsibility of the senior management of the Group. The functions undertaking the analysis, management and monitoring of the risks, in particular those relating to the credit risk, utilise fully integrated instruments in the decision making processes, which also permit the obtaining of periodic performance information (reports and performance indicators).

For the details of the above-mentioned risks, in accordance with the provisions of Article 2428 of the Civil Code, reference should be made to that reported below.

Integrated Risk Management

The integrated risk management is not undertaken only to ensure the going concern of the business of its normal operations, but aims to render the organisation and management model of the bank more efficient, with a view to optimising risk-return and containing risk.

The oversight of risks of the Institute and of the Banking Group was assigned to the Risks Committee.

The Risk Management Department, which reports to the President of the Bank, is assigned the duty to guarantee to the Risks Committee the operational support for the effective measurement and control of all strategic, credit, liquidity, market, operational and reputational risks.

The Risk Management activity is carried out, within the wider coordination of the Insurance Group, by the Risks Management Section of Fondiaria-SAI S.p.A. which defines the integrated analysis and the quantification of economic capital to cover risk.

The risk profile

In particular, the core business of BancaSai is aimed at both traditional banking intermediation and the offer of financial services. The offer of services does not therefore only include financial activities, such as deposits, loans, payment transfers, money market instruments and interest rate contracts, but also involves investment services concerning financial instruments, in particular, the activity of receiving and executing orders and trading on behalf of the bank itself and on behalf of third parties.

The services also include consultancy in financial instrument investments, foreign exchange (when related to the provision of investment services) and custody and administration of financial instruments.

The strategic guidelines undertaken in 2012 focused on containing the credit risk through close control of the credit policies and the lessening of exposure, in particular in relation to the corporate segment.

The analysis of the business lines and the operational areas and the self-assessment of risks carried out by the BancaSai Bank Group are central to identifying risks to which the legal entities of the Group are exposed:

- Credit Risk: the possibility that an unexpected change in the creditworthiness of a counterparty generates a corresponding unexpected change in the market value of the credit position;

- Market Risk: generated both by the treasury trading activity, and to a lesser extent, the operations of the Trading Desk, with the objective to consider proprietary trading opportunities of financial instruments;

- Operating Risk: the risk of losses deriving from the inadequacy or difficulties with procedures, human resources and internal systems, or external events;

- Interest rate Risk: the current or future risk of a reduction in the value of the asset or of the interest margin deriving from the impact of changes in the interest rates on activities other than trading (Banking book).

- Liquidity Risk: the current or future risk of the reduction in the value of asset or the profit due to inability to source funds, or the need to undertake such at unfavourable conditions compared to the market (Funding Liquidity Risk), or the possibility to incur losses from the inability to divest assets easily (Market Liquidity Risk);

- Strategic Risk: the risk of a reduction in profits or capital due to the change in market conditions from those considered upon strategic planning, from poor decisions in relation to the development of the competitive environment or the incapacity to implement the decisions undertaken in the plan due to inadequate planning;

- Concentration Risks: the amount of credit risk stemming from the exposures to counterparties or group of related counterparties (single-name concentration) or from exposure to counterparties belonging to the same economic activity or the same geographic region (geo-sectorial concentration);

- Residual Risk: the risk of a reduction in the value of profits or capital caused by the fact that, upon realisation, the instruments elected to offset the credit risk are divested for an amount lower than that expected or at more onerous conditions and terms.

The objectives pursued for a proper and prudent management of the stated risks may be generally identified as:

- creation of value for the Company;

- maximisation of the risk-return profile;
- compliance with the regulatory obligations;
- protection of reputation;
- transparency on the risk exposure

With the management of risks, the Control Departments have identified the primary objectives as:

- containment of the interest rate risk exposure both in relation to the regulatory requirements and the profit objectives;
- containment of the market risk through limits on asset allocation and duration;
- stabilisation of the funding structure;
- exclusion of risks not considered usual within the normal activities;
- development of the monitoring and quantification of risk methods.

The Risk Management Department, through the use of organisational and IT instruments, carries out an ongoing monitoring of various sources of risk and reports to the Risks Committee, to the Board of Directors and to the various risk owners through periodic reporting.
The risk monitoring activity is the subject of continuous innovation and maintenance and projects are in place to maintain and improve the current quality standard.

Credit Risk

The credit sector was perhaps most sensitive to the economic climate of 2012. The strategic guidelines continued to focus on reducing the loan book and containment of risk activities.

The credit risk in fact is the principle risk component in terms of capital absorption and resources utilised. This risk concerns the inability of the debtor to discharge their contractually established payment obligations, in relation to both capital and interest payments. The insolvency of a counterparty (credit default risk) is not therefore the only concern, as also a simple deterioration in the credit rating can result in a reduction in the market value of the credit position held (Credit Spread Risk). In addition to loans granted, this also relates to securities held, commitments on guarantees given and commitments undertaken to provide funds.

Lending remains the central activity of the Bank and forms part of the strategic offer to the insurance clients of the Group.

The lending activity of the Bank is primarily focused on the retail market, with products principally relating to loans and mortgages.

A reduction of the credit risk was primarily carried out through a reduction of the credit exposure to the corporate segment, in which default positions in the building segment for significant amounts were appropriately adjusted.

The lending services are based on an integrated instrument within a complex relationship with both private and retail clients.

The commercial policy is directed through differentiated distribution channels based on the target client and in particular:

- the direct and indirect brokerage network of the Insurance Group;
- the branches.

Particular importance is placed on the optimisation of the credit risk cost undertaken through the credit processes (issuance, monitoring and recovery) and the integration of the risk measures (Default Probability, Risk Exposure, Correlation to risk factors).

The organisational structure of the bank aims to ensure adequate controls of the management of risk, with a logical separation of functions between origination, disbursement and control.

The credit risk is governed by a coordinated structure of operating powers and autonomous approval levels, defined by the Board of Directors, which involves the complete credit process cycle, from the initial request phase to the revocation and recovery phases.

The various offices are therefore assigned responsibility for the valuation and underwriting of the risks, in accordance with the credit autonomy limits contained in the General Regulations of the Institute and in accordance with the territorial commercial networks.

The Risks Committee is responsible for the credit risk control, which coordinates the activities of the Credit Management and the Risk Management Department. The Credit management controls the trend of the individual positions and the overall portfolio, while the second ensures the provision of adequate risk capital related to the bank portfolio.

The Risk Management Department, on a prudent basis, through an internal reporting system, oversees compliance with capitalisation requirements and quantifies the Risk Weighted Asset against the credit risk and bank portfolio counterparty in accordance with the rules defined by the Basilea Committee.

For the determination of the internal capital against the credit risk, BancaSai utilises the standardised method required for the determination of the supervisory requirements against the credit risk (Circular 263/06 Section II – Chapter 1, First Part).

Consequently, the internal capital against the credit risk is equal to the capitalisation requirements as defined by the First Pillar regulations and reported quarterly to the Bank of Italy. In line with the proportional criterion ICAAP, which provides for Class 2 and Class 3 Banks the utilisation of standardised methods, BancaSai has defined a series of stress tests which value the capital effects based on hypothetical scenarios relating to falls in interest rate, migration of the clientele and downgrading of the corporate counterparties and ECAI institutional ratings.

In summary, the standardised method provides for the clusterisation of exposure in different analysis class (portfolios regulated by Bank of Italy) according to the nature of the counterparty, of the technical specifications or status of the credit and the application of diversified weighted coefficients to each portfolio. In addition, the Prudent Supervisory Board regulations (Circular 263/2006 of the Bank of Italy, Section II, Chapter II) permits intermediaries to utilise specific risk mitigation techniques (Credit Risk Mitigation, CRM).

The various functions are required to undertake continual management activities and monitoring on the basis of defined requirements and logic related to the segmentation and risk of the clientele, through the use of procedures (based on the internal rating system) capable of signalling emerging abnormal situations. The correct categorisation of the credit level is a central element in the management of the credit risk not only in the embryonic phase of the relationship, but also for the entire life of the relationship.

In the credit investigation stage the Bank carries out searches on the client based on economic related information, established through direct knowledge of the client and the economic context in which it operates.

The investigation activities concerning the operational process which results in the issue or periodic re-examination were developed in order to issue credit in line with the level of the individual company based on the independent credit capacity of this latter and its capacity to generate cash flows to ensure the repayment of the relative amounts at the pre-established maturities, both in the technical form of the credit and the collateral guarantees.

The heartbeat of the risk management, measurement and control system is the Credit Rating System (CRS), integrated valuation system of the client credit risk, which evaluates information from different sources on the client with credit lines (or in the course of being granted credit lines).

The IT support and access to the databases was introduced within the service supply contract of the Cedacri Consortium and is utilised by the Institute since 2006.

In relation to the Credit Risk Mitigation techniques, the functions of credit risk control, the Credit Management and Risk Management Functions, undertake periodic valuations, in particular on the secured financial and property Guarantees, in order to verify the counter value and the level of cover on the exposure.

Based on the classification rules and an independent decision-making system, the Credit Control Office and the Boards of the Bank are charged with the identification of impaired financial assets through a set of procedures and instruments.

In accordance with prudent regulations, the Credit Risk Mitigation assumes a central role in the calculation of the capital absorption. Within the Credit Risk Mitigation techniques (CRM), BancaSai has undertaken, taking into account the complexity and its own operating characteristics, the adoption of simplified methodologies, applied both for the protection of secured and unsecured credit. In both cases, in accordance with the "replacement principle", to the part of the exposure guaranteed, the weighting is applied to the instrument provided as protection of the credit or party guarantor.
The Bank's various CRM techniques contain organisational rules to ensure compliance with admissibility requests of a general and specific nature which must exist on the creation of the guarantee and for its duration.
BancaSai currently does utilise derivative instruments for hedging or for the transfer of credit risk.
For further information on credit risk, reference should be made to Part E of the Notes.

Interest rate, market and liquidity risk

The market risk is strictly related to the normal brokerage activity of the Bank, in addition to the trading of financial assets. The variability of market conditions are a source of risk for the trading activities: unexpected changes in market factors (interest rates, exchange rates, share prices etc.) cause an increase or lowering in the value of the financial portfolio.

The volatility of the various risk factors, such as the interest rate, the exchange rate and share prices, may significantly impact the economic value of assets and liabilities with an impact on the income statement. For indexed instruments, the net flow of interest directly impacts the interest margin. Fluctuations in indices and share prices principally affect the capital instruments.

The trading activities are based on fixed budget objectives, established levels of risk and precise operating limits established within a specific policy approved by the Board of Directors.

The low risk profile is guaranteed by the position and duration limits of the portfolio.

Trading activity principally concerned debt securities, which are impacted by interest rate movements.

The Finance Office is in charge of the management of the trading portfolio, while the Risk Management Department is responsible for the measurement and monitoring of risk.

Within the organisational process of the portfolio management, the Finance Service operates exclusively within the strategy lines defined, which are authorised by the Board of Directors after evaluation by the Risks Committee on the basis of an instruction prepared by the Risk Management Department, which assesses the risk profile, the absorption of capital, and prepares the necessary control instruments.

The monitoring carried out in the current year on the "regulatory trading portfolio" of BancaSai highlights contained market risks.

In this regard the control risk management processes were designed in order to put in place appropriate initiatives to optimise the risk profile and to introduce any corrective actions necessary.

Therefore the Risk Management Department drew up risk monitoring processes aimed at ensuring the continual compliance of the operating limits which underlie the market risk to which the Bank is exposed. These limits curtail the interest rate risk exposure through the containment of the risk position through position and asset allocation limits.

The monitoring of the trading portfolio is carried on a daily basis through specific IT systems (ObjFin).

As for securities classified in the AFS Portfolio, Sensitivity Analysis are undertaken to consider potential changes in the current value and interest margin.

The financial characteristics of instruments in the portfolio guarantee a marginal exposure to market risk. The securities portfolio classified as available for sale is managed within a process which defines a strategic asset allocation which is subjected to a system of limits which takes account of the following risk factors:

1. exposure (measured as overall portfolio exposure);
2. concentration (valued through exposure by geographic area and issuer);
3. duration (portfolio average and by individual activity);
4. rating (portfolio average and by individual activity).

The interest rate risk of the Banking portfolio at individual level is managed by the Finance Service of BancaSai which, in compliance with the operating limits, manages the assets and liabilities with ALM techniques.

The interest rate risk is monitored on a monthly basis by the Risk Management Department, which calculates the maturity gap and the net weighted exposure, reporting monthly to the Risks Committee and to the Board of Directors. The changes in the economic value of the activities and the liabilities are analysed through application of the Duration Gap and Sensitivity Analysis approaches.

The interest rate risk of the Banking portfolio is monitored on a monthly basis by the Risks Management department, through software provided by the Cedacri Consortium. From June 2008 a reporting system submitted on a monthly basis to the Risks Committee and to the Board of Directors was drawn up, based on various indicators which highlight the impacts of the interest rate risk. In particular, the following were measured:

- the maturity gap and absorption of capital (see Circular 263 of the Bank of Italy, Section III, Attachment C);
- sensitivity and context Analysis.

The Sensitivity and Context Analysis established three situations involving interest rate changes, which cover the typical movements of the curve (parallel movements, rotation movements and contraction movements), obtained through normalising the principal components of the historic interest rate changes and of one shift scenario (parallel movement of rates) to 200 bps.

The Risk Management Department carries out VaR type analysis (Value at Risk) on the Bank Portfolio within the monitoring of limits at Group level.

The Value at Risk is calculated at a probability level of 99.5%, with an unwinding period di 10 working days. The analysis carried out at 31/12/2012 presents very contained VaR percentage values.

In relation to the hedging operations of the Risk Management, efficacy tests are carried out on an ongoing basis:

- prospective tests, which ascertain the future efficacy of the hedge;
- retrospective Tests which ascertain the efficacy of the hedge in the period.

At 31/12/2012 the following interest rate risk hedging instruments undertaken in 2009 were in place:

- two non-listed instruments (OTC) and Interest Rates Swap (IRS), with five year maturity for a total notional amount of Euro 25 million.

The prudent management of the liquidity risk policies establish rules in relation to the organisational and internal controls, in addition to the adoption of specific operating instruments and public disclosure obligations, which, although proportional to the operating dimension, the organisational complexity and the type of activities carried out by the individual Banks, require a significant commitment by such Banks.

The liquidity management process concerns:

- the definition and introduction of a liquidity risk tolerance threshold;
- the review of the control parameters and the indication of the relative operating limits;
- the drawing up of a process concerning the internal transfer price of funds;
- the review of the Contingency Funding Plan (CFP).

The Bank liquidity risk is managed by the Finance Service, which establishes the usage or the coverage of the available liquidity needs, operating within a specific policy and within the limits established by the Board of Directors.

In greater detail, the progressive deterioration of the financial crisis induced the Finance Service to maintain an extremely prudent approach in the management of liquidity, selecting counterparties presenting the highest credit standings and limiting commitments to direct interventions on the inter-banking market.

Within the liquidity management it is important to note that BancaSai in 2012 obtained authorisation to operate with the Central Bank in Open Market and Standing Facilities operations, with which the Bank intends to ensure itself a claw back channel and to use short term liquidity through Repo and Depo Operations in the medium to long term through participation in planned tenders. The amount of liquidity which may be accessed through refinancing operations is equal to the market value of the securities held in consideration of the regulatory haircuts established for the eligible assets. The access to financing operations with the ECB opened a new funding channel for the Bank: in 2012 the first long term Long Term Refinancing Operation (LTRO) was carried out, through which the Bank obtained liquidity of Euro 50 million at 36 months through the collateralisation of its asset portfolio.

In the 2012, the Contingency Liquidity Plan was updated, which provides recourse both to external sources to the Insurance Group and the possible intervention of the Parent Company Fondiaria-SAI as a lender of last resort.

Considering the development of methodologies and regulatory innovations in relation to liquidity risk, BancaSai updated its operating practices.

The development of a quantitative model provides for a system of indicators comprising:

- First level indicators, undertaken by the operating departments, with the objective to guarantee the management of the liquidity risk within operating activities;
- Second-level indicators, undertaken by the Risk Management Department, which measures the exposure to risk and reports to the Chairman of the Bank, the Risks Committee and the Board of Directors on the overall liquidity situation and on the compliance with the established tolerance thresholds.

The recent regulatory updates will require in 2013 Risk Management actions in order to adjust the current risk management processes, in particular concerning liquidity, through the updating of the policies and methodologies.

Operating Risks

In light of the regulatory developments and the strategic requirements, the Bank, together with the Risk Management Department of Fondiaria-SAI S.p.A. began to develop a structured identification, measurement and monitoring process of operating risks.

Operating risks, by their very nature, concern all structures and processes of the organisation. Their identification and consequent evaluation are thereafter subject to an analysis of the processes of the Bank in order to establish the activities which may be impacted by operating risk.

BancaSai in the year conducted the periodic evaluation of operating risks, reviewing that analysed in the previous year. The analysis also took account of loss events in the year as reported by the accounting department.

Currently, the approach adopted by the Bank concerning the measurement of the capital requirement is based on the use of a Basilea 2 Standard Formula (15% of the average brokerage margin over the last three years), which amounts to Euro 4,677 thousand.

IT Risks and the Data Protection Document

The functionality and reliability of the IT systems is an element of primary importance for BancaSai, within the wider and general framework for the adoption of effective widely used security regulations.

Specifically in relation to IT systems, it is necessary to oversee the dangers, also of a fraudulent nature, which may affect the systems in order to ensure the protection of data processed by the Bank and, consequently on relations with clients and the requests imparted or received from them.

Particular attention is given to the training of employees, concerning those responsible for processing data, as indicated by the applicable privacy regulation. Upon assignment to each department, employees receive detailed and extensive instructions concerning conduct in the carrying out of their duties, to ensure the protection of data.

In relation to the physical protection of the offices and branches of the Bank, precise instructions were issued concerning access rules, promoting maximum responsibility in the conservation and use of personal badges which allow access to the various offices.

These instructions are accompanied by IT controls concerning authentication and access to personal computer rules, to the networks and to very stringent individual applications, which utilise complex passwords, to be updated periodically, and with the deactivation of credentials in the case of access errors or extensive non-use.

In relation to these issues, BancaSai does not utilise its own IT platforms, but avails of, for the handling of electronic instruments, the infrastructure and services made available by Fondiaria-SAI S.p.A. (through the Services Company FSST), and the Company Cedacri S.p.A., in execution of the contract which outlines the processes and activities.

Security, both in physical and IT terms, is governed by internal procedures, also contained within the Business Continuity Plan, prepared in accordance with the provisions of the Bank of Italy, linked to the Disaster Recovery Plan of BancaSai.

The internal IT infrastructure of the Bank is regularly reviewed through a series of audit activities which identify vulnerabilities and possible areas of improvement.

BancaSai is particularly involved in the IT security field, in addition to awareness programmes and training of internal resources for the protection of personal data.

PART F – Information on related party transactions

Introduction

Disclosure in the financial statements on “Transaction with related parties” is governed by IAS 24 and by relative Consob Communications.

The Parent Company’s main financial and economic transactions with its subsidiaries are reported in the Directors’ Report to the separate financial statements.

The transactions between the Parent Company and its subsidiaries were eliminated in the consolidated financial statements and are not disclosed in these notes.

On 25 November 2010, the Board of Directors of Premafin, with the unanimous vote of all those present, and with the favourable opinion of the three independent directors present at the meeting, adopted the document entitled “Rules of conduct in carrying out significant transactions, and procedures in carrying out transactions, with related parties”. The document was drawn up in accordance with Article 4 of the Regulation issued by Consob with Resolution 17221 of 12 March 2010, as subsequently amended by Resolution 17389 of 23 June 2010.

The register of related parties has been updated as a result of the change in control which took place in July 2012, and following changes in administrative structure that happened in the second half of 2012.

The tables below includes income statement transactions with former related parties up to the conclusion of these links. For the same reason the balance sheet amounts reflect the situation with related parties at year end.

Account balance

(Values in Thousands of Euro)	31/12/2012		31/12/2011	
COUNTERPARTY	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Parent Company	4,874	46	-	-
Associates	23,037	10,027	106,129	837
Subsidiaries	8,738	2,030	7	8
Other related parties	1,830	6,713	295,866	19,280
Total	**38,479**	**18,815**	**402,001**	**20,125**

(Values in Thousands of Euro)	31/12/2012		31/12/2011	
NATURE	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Real Estate business	361	-	271,952	7,827
Insurance business	5,002	1,988	199	3,988
Financial business	32,541	14,226	128,830	4,992
Services provided	575	-	949	-
Services received	-	180	63	1,460
Remuneration to corporate bodies	-	2,422	9	1,858
Remuneration to management with strategic responsability	-	-	-	-
Total	**38,479**	**18,815**	**402,001**	**20,125**

(Values in Thousands of Euro)	31/12/2012		31/12/2011	
COUNTERPARTY	**Income**	**Charges**	**Income**	**Charges**
Parent Company	166	205	-	-
Associates	1,077	1,869	31,242	30,777
Subsidiaries	10	2	-	-
Other related parties	35,940	163,426	38,078	108,158
Total	**37,193**	**165,502**	**69,320**	**138,935**

(Values in Thousands of Euro)	31/12/2012		31/12/2011	
NATURE	**Income**	**Charges**	**Income**	**Charges**
Real Estate business	1,250	75,265	35,462	79,333
Insurance business	34,113	37,335	32,123	16,562
Financial business	1,378	18,788	1,076	885
Services provided	436	-	643	-
Services received	-	8,026	-	7,085
Remuneration to corporate bodies	16	9,586	16	13,266
Remuneration to management with strategic responsability	-	16,502	-	21,804
Total	**37,193**	**165,502**	**69,320**	**138,935**

Financial cash flows

(Values in Thousands of Euro)	31/12/2012		31/12/2011	
COUNTERPARTY	**Accounting flows incoming**	**Accounting flows in output**	**Accounting flows incoming**	**Accounting flows in output**
Parent Company	-	8,833	-	-
Associates	520	3,231	44,954	61,226
Subsidiaries	-	-	-	-
Other related parties	36,422	83,793	34,344	116,596
Total	**36,942**	**95,857**	**79,298**	**177,822**

(Values in Thousands of Euro)	31/12/2012		31/12/2011	
NATURE	**Accounting flows incoming**	**Accounting flows in output**	**Accounting flows incoming**	**Accounting flows in output**
Real Estate business	1,626	15,431	45,345	104,149
Insurance business	34,128	36,520	32,143	8,392
Financial business	280	13,113	488	22,389
Services provided	908	-	1,242	-
Services received	-	8,981	80	8,915
Remuneration to corporate bodies	-	7,742	-	12,028
Remuneration to management with strategic responsability	-	14,070	-	21,950
Total	**36,942**	**95,857**	**79,298**	**177,822**

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 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.

(Values in Thousands of Euro)	31/12/2012					
COUNTERPARTY	**Assets**	**Liabilities**	**Income**	**Charges**	**Accounting flows incoming**	**Accounting flows in output**
Parent Company	67	- -	55	-	-	-
Associates	294	-	173	-	106	-
Subsidiaries	-	-	-	-	-	-
Other related parties	-	-	1,132	75,265	1,520	15,431
Total	**361**	**-**	**1,250**	**75,265**	**1,626**	**15,431**

In relation to the transactions of Milano Assicurazioni S.p.A. with the other related parties we report that the real estate operations previously commented upon in previous annual and interim reports, of an original value of Euro 179.1 million, are derived from payments on account on real estate operations at Via Confalonieri - Via de Castillia (Lunetta dell’Isola) at Milan and Via Fiorentini at Rome. The write-downs were made in consideration of the judgment declaring the bankruptcy of IM.CO. and Sinergia on June 14, 2012 by the Milan Court.

The residual value of these receivables at December 31, 2012 amounted to Euro 78.4 million (of which Euro 52.9 million from Avvenimenti e Sviluppo Alberghiero and

Euro 25.5 million from Im.Co) are not included under assets with related parties as this relationship terminated before the end of the year.

It is considered preliminarily in this regard that:

- in 2003 Milano Assicurazioni agreed a real estate operation which provided for the sale to Avvenimenti e Sviluppo Alberghiero of a site in Rome, via Fiorentini and the purchase of a real estate complex to be constructed on the land in question at a price of Euro 110 million, including also the supplementary contract signed in 2009. For this operation, Milano Assicurazioni paid on account to Avvenimenti e Sviluppo Alberghiero a total amount of approx. Euro 102 million. The payments were made entirely in previous years as for some time work has been suspended while awaiting a new agreement with the Rome Council in replacement of the agreement of August 8, 2000;
- in 2005 Milano Assicurazioni carried out a similar operation, which established for the sale to Im.Co of land in Milan, Via Confalonieri - Via de Castillia (Lunetta dell'Isola) and the purchase of a building for office use to be constructed on the land for a price of Euro 99.1 million in accordance with the supplement to the contract agreed in 2011. The payments on account made by Milano Assicurazioni for this operation totaled Euro 77.4 million, of which Euro 8 million capitalised during 2012;

In addition, we report below the other real estate operations by other Group companies during the year and in previous years, also following the termination of the relationship with the Im.Co-Sinergia Group, which at December 31, 2012 are not included under assets:

- Euro 92.4 million refers to amounts recorded under inventory of the real estate project relating to the construction of the Loano Tourist Port. The amount capitalised by Immobiliare Fondiaria-SAI S.r.l., through the subsidiary Marina di Loano S.p.A., is Euro 92.4 million and refers to amounts paid in previous years to the company Marcora Costruzioni S.p.A. In addition the amount recorded under inventory included Euro 9.6 million incurred by the company Sepi 97 S.r.l. for design work, as well as Euro 2.6 million from I.C.E.IN. S.p.A. and Euro 1 million from Im.Co S.p.A. for construction work;
- Euro 7.8 million relating to payments on account made by Immobiliare Fondiaria-SAI S.r.l. to Im.Co S.p.A. for the future construction of the hotel complex with wellness centre which is currently in progress in the municipality of S. Pancrazio Parmense (Parma). The company appointed an independent expert to value the initiative at 31/12/2011. Against this valuation, the Company wrote-down the asset for approx. Euro 11.7 million. Following the bankruptcy of the counterparty in 2012 a further write-down of Euro 3.8 million was made;
- Euro 7.2 million paid by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Europrogetti S.r.l. for design projects in the Castello Area (FI) was transferred from working capital inventory to receivables from suppliers for advances and was fully written-down;
- Euro 5.8 million refers to amounts recorded under inventory of dismantlement and reconstruction work of the area owned by the subsidiary Meridiano

Secondo S.r.l. in the current and previous years from the related company IC.E.IN. S.p.A., and Euro 2.2 million for design work incurred by MI.PR.AV. S.r.l.;

- Euro 1.4 million recognised by the Tikal Re Fund to I.C.E.IN. S.p.A. for building improvements.

In relation to these property initiatives, in 2012 Milano Assicurazioni S.p.A. paid to Im.Co S.p.A. Euro 11.2 million; Tikal Re Fund paid to I.C.E.IN. S.p.A. Euro 1.7 million and Immobiliare Lombarda paid to SO.GE.PI. S.r.l. Euro 1.2 million for invoices received.

The amount recorded under charges principally includes write-downs made on receivables from the Im.Co-Sinergia Group now bankrupt as commented upon in the individual asset accounts.

INSURANCE ACTIVITIES

The income statement and balance sheet effects of an insurance nature are reported in the table below.

(Values in Thousands of Euro)	31/12/2012					
COUNTERPARTY	**Assets**	**Liabilities**	**Income**	**Charges**	**Accounting flows incoming**	**Accounting flows in output**
Parent Company	-	-	-	-	-	-
Associates	-	-	19	5	19	5
Subsidiaries	4,963	1,904	6	2	-	-
Other related parties	39	84	34,088	37,328	34,109	36,515
Total	**5,002**	**1,988**	**34,113**	**37,335**	**34,128**	**36,520**

The amount recorded under assets principally include:

Transactions with Group Companies refer to:

- Euro 5 million of assets relating to co-insurance of Fondiaria-SAI S.p.A., Milano Assicurazioni S.p.A. and SIAT with Unipol S.p.A..

The amounts recorded under liabilities principally include:

Transactions with Group Companies refer to:

- Euro 2 million of liabilities relating to co-insurance and reinsurance of Fondiaria-SAI S.p.A., Milano Assicurazioni S.p.A. and SIAT with Unipol S.p.A..

From 2010, the transactions with the Group Pension Fund are considered as related party transactions.

Insurance income from other related parties includes, in addition to Non-Life and Life premiums for Euro 5.4 million, also the premiums which the Fondiaria SAI Group Employee Pension Fund and the Fondiaria-SAI Executive Pension Fund paid respectively to Fondiaria-SAI for Euro 16.8 million and Milano Assicurazioni S.p.A. for Euro 10 million. These payments are for the investment in Life policies of the contributions from the policyholders.

Insurance charges from Other Related Parties refer to:

- payment of contributions on behalf of Group companies, in favour of the Fondiaria-SAI Group Employee and Executive Pension Funds for Euro 9 million. These payments were made in accordance with contractual agreements in force;

- settlement of claims, against redemption or maturity of Life policies for Euro 13.3 million;

- commissions paid to insurance brokers for Euro 13 million.

Insurance cash inflow from other related parties includes premiums which the Fondiaria SAI Group Employee Pension Fund and the Fondiaria-SAI Executive Pension Fund paid in the year to Fondiaria-SAI for Euro 16.8 million and Milano Assicurazioni S.p.A. for Euro 10 million. These payments are for the investment in Life policies of the contributions from the policyholders.

Insurance cash outflow to Other Related Parties refer to:

- payment of contributions on behalf of Group companies, in favour of the Fondiaria-SAI Group Employee and Executive Pension Funds for Euro 9 million. These payments were made in accordance with contractual agreements in force;
- settlement of claims, against redemption or maturity of Life policies for Euro 13.3 million;
- commissions paid to insurance brokers for Euro 11.6 million.

FINANCIAL ACTIVITIES

The income statement and balance sheet effects of a financial nature are reported in the table below.

(Values in Thousands of Euro)

	31/12/2012					
COUNTERPARTY	**Assets**	**Liabilities**	**Income**	**Charges**	**Accounting flows incoming**	**Accounting flows in output**
Parent Company	4,853	46	280	133	-	8,726
Associates	22,176	10,017	595	1,864	50	3,226
Subsidiaries	3,730	7	-	-	-	-
Other related parties	1,782	4,156	503	16,791	230	1,161
Total	**32,541**	**14,226**	**1,378**	**18,788**	**280**	**13,113**

The amount recorded under assets principally include:

- In relation to the Parent Company Unipol Gruppo Finanziario S.p.A., Euro 4.6 million concerns the holding by Milano Assicurazioni S.p.A. of the Unipol 28.07.03/23 subordinated T.V. bond.

Transactions with Associated Companies refer to:

- in relation to loans receivable, we report the amounts due to Immobiliare Milano from respectively Borsetto S.r.l. (Euro 8.1 million), Sviluppo Centro Est S.r.l. (Euro 9.3 million) and Penta Domus S.r.l. (Euro 1.8 million);
- Euro 2.6 million refers to the loans of Immobiliare Fondiaria-SAI S.r.l. due from the associated company Progetto Alfiere S.p.A..

Transactions with Group Companies refer to:

- Euro 3.7 million relating to the current account at Banca Unipol.

Transactions resulting in assets of a financial nature with Other Related Parties refer to:

- Euro 1.8 million for the issue of credit lines by the subsidiary BancaSai to entities other than the bankrupt Im.Co and Sinergia (principally physical persons);
- The transactions with Unicredit S.p.A., which in 2012 amounted to Euro 181 million, are no longer reported as on July 9, 2012 the shareholder agreement between Premafin Finanziaria S.p.A. and Unicredit S.p.A. was dissolved.

The amounts recorded to liabilities principally include:

Transactions with Associated Companies refer to:

- the write-down by Immobiliare Milano with Sviluppo Centro Est S.r.l. (Euro 9.3 million).

Bank current accounts with other related parties, both physical and legal persons, of the subsidiary BancaSai, amount to Euro 4.2 million.

The charges principally include the write-down made against the receivables of BancaSai with the Im.Co-Sinergia Group of Euro 16.7 million.

The financial payments to the parent company Unipol Gruppo Finanziario S.p.A: concern the payment of commissions for the share capital increase for a total of Euro 8.7 million, against the subscription by this latter of saving shares not taken up in September.

SERVICES PROVIDED

(Values in Thousands of Euro)	31/12/2012					
COUNTERPARTY	**Assets**	**Liabilities**	**Income**	**Charges**	**Accounting flows incoming**	**Accounting flows in output**
Associates	567	-	291	-	344	-
Subsidiaries	-	-	3	-	-	-
Other related parties	8	-	200	-	547	-
Total	**575**	**-**	**494**	**-**	**891**	**-**

These include principally receivables for invoices to be received and diversified sector ordinary revenues.

SERVICES RECEIVED

(Values in Thousands of Euro)	31/12/2012					
COUNTERPARTY	**Assets**	**Liabilities**	**Income**	**Charges**	**Accounting flows incoming**	**Accounting flows in output**
Parent Company	-	-	-	73	-	107
Associates	-	10	-	-	-	-
Subsidiaries	-	119	-	-	-	-
Other related parties	-	51	-	7,953	-	8,874
Total	**-**	**180**	**-**	**8,026**	**-**	**8,981**

In relation to the charges for services received from Other Related Parties we report that the principal amount refers to Euro 5.8 million of technical-administrative and legal consultancy fees (of which Euro 2.3 million from the Marco Cardia law firm for legal consultancy fees, Euro 0.86 million from the company Parametrica Consulting for technical-actuarial consultancy fees, Euro 1.3 million from Mr. Rapisarda Fausto for legal and corporate consultancy fees, Euro 0.55 million from the law firm Gismondi&Associati for technical-actuarial consultancy fees and Euro 0.93 million from the law firm D'Urso Gatti e Bianchi for legal consultancy fees).

Finally charges include emoluments for members of the Group Company boards for Euro 9.2 million and salaries of senior managers with strategic responsibility for Euro 14.9 million.

The residual payments to Other Related Parties refer to the fees to Directors for offices covered in companies of the Group for Euro 7.3 million and to salaries of senior management for Euro 14.1 million.

Assets referring to transactions with related parties at 31/12/2012 (including associated companies) account for approx. 0.1% of the total reported in the consolidated financial statements with liabilities accounting for 0.05% excluding the items relating to shareholders' equity.

The net financial cash flow does not absorb a significant level of net liquidity deriving from operating activities, as reported in the Consolidated Cash Flow Statement at 31/12/2012.

In relation to the operations with related parties, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

Directors' fees

The remuneration of directors for offices held in the Group is shown in the following table:

(Values in Thousands of Euro)	**31/12/2012**	**31/12/2011**
Remuneration	7,975	11,727
Bonus and other benefits	-	-
Non-monetary benefits	90	226
Total	**8,065**	**11,953**

The remuneration of directives 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 December 28, 2005, supplemented by Legislative Decree No. 303 of December 29, 2006, changed the rules regarding conflicts of interest for independent auditors 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 independent auditor 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 Reconta Ernst & Young 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	Entity who	Receiver	Fees
Audit	a Ernst & Young	remafin HP S.p.A	234
Certification services	a Ernst & Young	remafin HP S.p.A	644
Other services	Financial Business	remafin HP S.p.A	9
Total for the year			**887**

n.b. fees don't include VAT

The fees received by the audit firm Reconta Ernst & Young and the companies that belong to the network of the audit firm, with reference to Fondiaria-SAI subsidiaries, are listed below:

Type of service	Entity who provided the service	Receiver	Fees
Audit	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	3,299
	Network Ernst & Young	Foreign subsidiary companies	374
Certification services	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	2,231
Other services	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	10
	Ernst & Young Financial Business Advisors S.p.A.	Italian subsidiary companies	658
	Studio Legale Tributario	Italian subsidiary companies	50
	Network Ernst & Young	Foreign subsidiary companies	20
Total for the year			**6,642**

n.b. fees don't include VAT

PART G – 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.

ATTACHMENT 1 – STRENGTHENING OF PRIOR YEAR CLAIMS PROVISIONS: INFORMATION REQUESTED BY CONSOB

In its Note 13021374 dated 18 March 2013, CONSOB in accordance with Article 114, paragraph 5, of Legislative Decree 58 of 1998, ordered Fondiaria-SAI Group to disclose certain information in relation to strengthening of prior year claims reserves in the Notes to the 2012 financial statements, and in particular:

- the quantitative and qualitative reconstruction of the movements of the revaluation of the prior year claims provisions during 2012 of the group insurance companies, indicating the underlying reasons for the revaluation and providing details of the amounts by insurance company and class;
- the quantification, representation and accounting of the strengthening of the prior year claims provisions in the 2012 consolidated financial statements, specifying the International Accounting Standards adopted and the underlying reasons for the reformulation of the provision policies adopted to date by the insurance companies of the Fondiaria-SAI Group;
- actions taken to render the provision policies uniform, indicating modifications to the operating plan and methodology;
- the reasons for which it was not considered appropriate to consider the revaluation of the prior year claims provisions as a correction of an error of the previous year, in compliance with IAS 8.

With reference to the request of the Supervision Authority, the following information is provided.

Strengthening of the prior year claims provisions of the Fondiaria SAI Group and reformulation of the provision policies

As already illustrated in the press release published on December 21, 2012 by the parent company Unipol Group S.p.A., in the joint 2013-2015 Industrial Plan (the “Plan”) assumptions were made, with reference to the year 2012, to strengthen the non-life prior year claims provisions (defined as the sum of the claims provisions at the end of the year prior to the reference year - “The Year” -, less the amounts paid in the Year, less the prior year claims provisions at the end of the Year, plus/less the balance of the amounts recovered/to be recovered from policyholders and third parties) relating to the consolidation scope of Fondiaria-SAI for approx. Euro 650 million.

The reasons underlying these assumptions to strengthen the provisions are substantially due to the circumstances and valuations reported below:

A) First Nine Months 2012 results: with the approval, on November 13, 2012, by the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni of the Interim Report at September 30, 2012, on the proposal of the previous technical structures of the companies, the need to strengthen prior year claims provisions was highlighted for a total of Euro 342 million, for the entire

Fondiaria-SAI Group, principally due to:

- The Motor TPL Class: the analysis of the management data relating to the savings on the prior year claims settled at September 30, 2012, according to the valuations made by the previous technical structures, indicated for Fondiaria-SAI and Milano Assicurazioni a position respectively of 4 and 10 percentage points lower than that recorded by Unipol Assicurazioni at the same date (equal to 25.8% of the "dropped" provision), although improving on the previous year. In the absence of precise figures calculated based on the actuarial models, prepared solely for the purposes of the annual financial statements, this management indicator - concerning a provision estimate still not sufficiently prudent - was taken by these structures as evidence of the need, in the application of prudent criteria, for further provisions of the claims still open with these insurance companies. At September 30, 2012, therefore, at Fondiaria-SAI consolidated level it was considered necessary to strengthen these Motor TPL claims provisions for Euro 219 million;
- The General TPL Class: based on specific instructions from ISVAP (now IVASS), Fondiaria-SAI and Milano Assicurazioni are required to supplement the provisions for a total of Euro 125 million and develop valuation techniques based on the last cost utilising actuarial methodologies, in place of the simplified methodologies utilised up to the 2011 financial statements. Therefore, at September 30, 2012, also on the proposal of the technical structures, the companies Fondiaria-SAI and Milano Assicurazioni strengthened the Third Party Liability claims provisions for a total of Euro 150 million (Euro 156 million also including other companies of the Fondiaria-SAI group);
- Others Classes: at September 30, 2012 they report a positive balance of Euro 33 million;

B) Annual inventory process of the claims provisions: during the annual review phase of the inventory of the provisions relating to claims reported but not yet settled, the Fondiaria-SAI loss adjusters network highlighted the necessity for significant revaluations, in particular of large amounts pertaining to the Motor TPL and General TPL classes. In addition, further to the activities of the loss adjustors, as per the instructions of the Insurance Oversight Authority, the estimates of the loss adjustors must be verified with actuarial methodologies in order to establish the last cost of claims still in the provision (parallel to the analytical valuation of claims by the loss adjusters a statistical/actuarial valuation is also made which may further supplement the provisions to align with the "Last Cost", as defined by Article 27 of ISVAP Regulation No. 16 of March 4, 2008 which, at paragraph 1, states that "the companies determine the claims provision commencing from a separate analytical valuation of the cost of each not entirely paid claim reported with the inventory method" and, at the following paragraph 4, establishes that "for the classes characterised by slow settlement processes or in which the analytical valuations as per paragraph 1 are not able to take into account all future foreseeable charges, the companies, in order to determine the last cost of the claims, in addition to the valuations as per paragraph 1, also apply statistical/actuarial methodologies or forecasting valuation systems of future costs", including all future charges. This activity may result in a further supplement to the provisions compared to that originally estimated by the claims adjustors based on the information at their disposal.

The Company, in the preparation of the Plan, and not having the final figures for the year 2012 and in consideration, therefore, of the impossibility to apply the actuarial methodologies for the valuation of the provisions at last cost (actuarial models, in fact, require historical annual data), considered it appropriate to record a further prudent one-off adjustment to that made by the adjustors, with a total estimate to strengthen the prior year claims provisions of Euro 653 million.

Therefore, within the uniformity process of the underlying assumptions in the economic and financial projections of the Plan, the estimates to strengthen the prior year provisions made reference to:

(i)management data and adjustments of the claims provisions made by the claims adjustors in the year-end inventory process and

(ii)a prudent estimate of the increase of these values, made on a one-off basis, to take account of any further strengthening due to the valuations of the actuarial models.

In relation to the process to render the reservation policies of the companies of the Fondiaria-SAI Group uniform with the Unipol Group, in the initial months of the new ownership a verification of strict compliance with the above-mentioned regulation was undertaken.

Therefore at the conclusion of the inventory process carried out by the loss adjustors network, in order to establish the last cost of claims written to the provision, after including the estimates of the settlement expenses in the valuations, the technical verification was verified with various statistical-actuarial methods, providing the results which follow.

In particular, in relation to the General TPL Class and differing from that carried out last year, in place of the simplified methodologies, statistical/actuarial models such as the Chain-Ladder Paid model and the GLM ODP model were adopted, based on an analysis of the historic series classified by similar family of risk.

On the preparation of the 2012 Consolidated Financial Statements, based on the combined results of the methods described above a valuation of the last cost of prior year claims provisions resulted in an increase in the estimate of the claims adjustors, with particular reference to the Motor TPL class amounting to approx. Euro 200 million. This resulted in the strengthening of the prior year claims provisions of Euro 808 million, of which Euro 709 million relating to the Motor TPL Class and Euro 187 million relating to the General TPL Class, while the Other classes recorded a positive balance of Euro 88 million.

Strengthening of the prior year claims provisions

The table below reports, broken down by the principal classes (Motor TPL, General TPL and Other classes) and for the principal Group companies, the movements over the year 2012 in the strengthening of the prior year claims provisions, with cumulative totals at the valuation dates of June 30, September 30 and December 31, 2012, as well as the assumptions utilised within the Plan with reference to the year 2012.

(Euro Millions)		30/06/2012	30/09/2012	31/12/2012	Plan 2012
Fondiaria-SAI	Motor TPL	10.3	30.0	289.5	250.0
	General TPL	40.4	113.0	113.1	105.0
	Other Non-Life Classes	(14.)1	(29.8)	(77.5)	(86.0)
	Totale	**36.6**	**113.1**	**325.1**	**269.0**
Milano Assicurazioni	Motor TPL	70.6	164.1	321.2	300.0
	General TPL	36.0	37.1	61.8	65.0
	Other Non-Life Classes	11.3	(6.5)	(23.0)	(46.0)
	Totale	**118.0**	**194.7**	**360.1**	**319.0**
Other companies of Gruppo Fondiaria SAI	Motor TPL	15.4	25.1	98.3	48.0
	General TPL	3.2	5.8	11.6	10.0
	Other Non-Life Classes	(5.7)	3.2	12.5	7.0
	Totale	**12.9**	**34.1**	**122.5**	**65.0**
Total Fondiaria-SAI Group	**Motor TPL**	**96.2**	**219.1**	**709.1**	**598.0**
	General TPL	**79.6**	**155.9**	**186.5**	**180.0**
	Other Non-Life Classes	**(8.5)**	**(33.1)**	**(88.0)**	**(125.0)**
	TOTALE	**167.4**	**341.9**	**807.6**	**653.0**

As previously illustrated, we highlight that the strengthening of the provisions took place particularly in the last part of 2012, based on the results of the inventory process, which commenced in September 2012, and the results deriving from the actuarial models applied only on the annual figures.

In relation to the industrial plan of the company resulting from the proposed merger (UnipolSai) the forecast was fully confirmed, which for the prior year claims provision considers, for purely prudent reasons, an overall supplement of Euro 150 million over the 2013-2015 plan.

Representation and accounting recognition of the strengthening of the claims provisions, International Accounting Standards adopted and reasons why the revaluation of the prior year claims provisions should not be treated as a correction of an error of the previous year in accordance with International Accounting Standard No. 8.

The adjustment of the claims provisions of Fondiaria-SAI S.p.A. and its subsidiaries is considered an adjustment of estimates and recorded in the 2012 consolidated financial statements of Fondiaria-SAI S.p.A. as a cost relating to 2012, recorded in the account 2.1.1 - Amounts paid and changes in insurance contract liabilities (Consolidated income statement) recording an increase in Account 3 – Insurance contract liabilities (Balance Sheet – Shareholders' equity and liabilities). The change in the Motor TPL claims provisions between 2011 and 2012 is due to a change in the accounting estimates to be treated in accordance with IAS 8, paragraph 32 and thereafter in no circumstances should this be considered as a correction of an "error".

This is due to the fact that (and as described above) the revaluation of the prior year claims provisions is the product of elaborations and analyses concerning the forecast cost of claims not yet settled, established in light of all the information available at the time of the preparation of the financial statements, information which differs from that utilised and available, or which could not have been forecast at the time of the preparation of the previous financial statements and therefore in line with that established by IAS 8.

Finally, in relation to the International Accounting Standards adopted, it is repeated that the IAS/IFRS does not govern, in a specific accounting standard, the treatment of insurance provisions and therefore the accounting treatment of any strengthening of such provisions.

IFRS 4 is the only International Accounting Standard which currently expressly deals with insurance contracts – in fact it has as its sole purpose "to specify disclosure in financial statements relating to insurance contracts for each entity which issues these contracts (defined, in the present IFRS, as insurer) until the Board has completed the second phase of its project in relation to insurance contracts" (which has not yet occurred).

IFRS 4, however, provides some indications on the system which governs, within the IAS/IFRS, the valuation of insurance contracts and, consequently, of the provisions. Paragraph 13 of IFRS 4 in fact provides that "the insurer is exempt from the application of such criteria with reference to paragraphs 10 - 12 of IAS 8 to its own accounting principles relating to:

A) own insurance contracts issued (including acquisition costs and related intangible assets, as per paragraphs 31 and 32); and

B) reinsurance contracts held".

This signifies that, in the absence of regulations which govern the specific circumstances – specifically "insurance contracts" – insurance companies, instead of making reference to the provisions of paragraph 10 – 12 of IAS 8 (therefore paragraphs of IAS 8 which govern the treatment of the preparer of the financial statements when there is a deficiency in the application of IAS/IFRS standards), may continue to adopt the practices utilised, or rather, in the Italian case, to continue to adopt in the calculation of the provisions for the preparation of the individual statutory financial statements with regard to the insurance contract liabilities of the Non-Life classes Article 37, paragraph 1 of the Private Insurance Code and ISVAP Regulation No 16/2008.

Exchange Rates

The exchange rates of the principal currencies utilised for the conversion of the balance sheet accounts are as follows:

	31/dec/2012	31/dec/2011
US Dollar	1,3194	1,2939
UK Sterling	0,8161	0,8353
Japanese Yen	113,61	100,2
Swiss france	1,2072	1,2156
Serbian Dinar	112,605	106,177

Bologna, April 24, 2013

For the Board of Directors
The Chairman
FABIO CERCHIAI

PREMAFIN FINANZIARIA - S.p.A.

Holding di Partecipazioni

DECLARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS PER ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14,1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

PREMAFIN ®
FINANZIARIA
Holding di Partecipazioni

Certification, pursuant to Article 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and additions, of the consolidated financial statements as at 31 December 2012, as adjusted in relation to comparative data for financial year 2011 per Consob note 13032791 of 17 April 2013

1. The undersigned Roberto Giay, in his capacity of Chief Executive Officer, and Giuseppe Nassi, in his capacity of Officer in charge of financial reporting of Premafin Finanziaria – S.p.A. Holding., hereby confirm, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

   - the adequacy, with respect to business/corporate characteristics, and
   - the proper application,

   of administrative and accounting procedures applied in drawing up the consolidated financial statements for the period 1 January 2012 to 31 December 2012.

2. The suitability of the administrative and accounting procedures applied in drawing up the consolidated financial statements at 31 December 2012 was assessed by using specific models that were independently developed at Fondiaria-SAI Group level and at Premafin and that are consistent with "Internal Control – Integrated Framework" and "Cobit" models, which are generally internationally recognised as reference standards for internal control systems.

3. They also confirm that:

   3.1. the consolidated financial statements at 31/12/2012:

   a) are drawn up in accordance with IFRSs as adopted by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and the Council of 19 July 2002;
   b) agree to the information recorded in the books and accounting records, while "IAS 8 Restated" figures were determined in compliance with Consob Resolution 18431 of 21 December 2012 and are consistent with the financial information already made available to the public in the press release of 27 December 2012;
   c) give a true and fair view of the financial position and the results of operations of the issuer and of the group companies included in the consolidation;

   3.2. the management report includes a reliable analysis of the performance, results and the financial position of the issuer and all the group companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Bologna, 24 April 2013

Roberto Giay	Giuseppe Nassi
The Chief Executive Officer	The Officer in charge of financial reporting

PREMAFIN FINANZIARIA - S.p.A.
Holding di Partecipazioni

ATTACHMENTS TO THE

CONSOLIDATED FINANCIAL STATEMENTS

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

Consolidation scope

Order number	Company	State	Method (1)	Activity (2)	% Direct holding	% Total participating interest (3)	% votes available at ordinary General meeting (4)	% consolidation
1	FONDIARIA - SAI S.p.A.	86	G	4	24,32	26,505	37,04	100,00
2	FINADIN S.p.A.	86	G	11	60,00	70,602	100	100,00
3	INTERNATIONAL STRATEGY S.r.l.	86	G	10	100,00	100,000	100	100,00
4	BANCA SAI SPA	86	G	7	0,00	26,505	100	100,00
5	BIM VITA SPA	86	G	1	0,00	13,252	100	100,00
6	BRAMANTE SRL	86	G	10	0,00	26,505	100	100,00
8	CAMPO CARLO MAGNO SPA	86	G	10	0,00	16,801	100	100,00
9	CARPACCIO SRL	86	G	10	0,00	26,505	100	100,00
10	CASA DI CURA VILLA DONATELLO SPA	86	G	11	0,00	26,505	100	100,00
11	CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA SRL	86	G	11	0,00	26,505	100	100,00
12	CASCINE TRENNO S.R.L	86	G	10	0,00	26,505	100	100,00
14	CONSORZIO CASTELLO	86	G	10	0,00	26,088	99,57	100,00
16	PONTORMO SRL	86	G	10	0,00	26,505	100	100,00
18	DIALOGO ASSICURAZIONI SPA	86	G	1	0,00	16,775	99,85	100,00
19	DOMINION INSURANCE HOLDING LTD	31	G	11	0,00	26,505	100	100,00
23	EUROPA TUTELA GIUDIZIARIA SPA	86	G	1	0,00	26,505	100	100,00
24	EUROSAI FINANZIARIA DI PARTECIPAZIONE SRL	86	G	11	0,00	26,505	100	100,00
25	FINITALIA SPA	86	G	11	0,00	26,505	100	100,00
26	FINSAI INTERNATIONAL SA	92	G	11	0,00	26,505	100	100,00
27	FONDIARIA-SAI NEDERLAND BV	50	G	11	0,00	26,505	100	100,00
29	IMMOBILIARE LITORELLA SRL	86	G	10	0,00	26,505	100	100,00
30	IMMOBILIARE LOMBARDA SPA	86	G	10	0,00	23,027	100	100,00
31	INIZIATIVE VALORIZZAZIONI EDILI IN.V.ED. SRL	86	G	10	0,00	26,505	100	100,00
32	INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA	86	G	10	0,00	26,505	100	100,00
35	MASACCIO SRL	86	G	10	0,00	26,505	100	100,00
36	MERIDIANO BELLARMINO SRL	86	G	10	0,00	26,505	100	100,00
37	MERIDIANO BRUZZANO SRL	86	G	10	0,00	26,505	100	100,00
40	MERIDIANO PRIMO SRL	86	G	10	0,00	26,505	100	100,00
41	APB CAR SERVICE SRL	86	G	10	0,00	26,505	100	100,00
43	MERIDIANO SECONDO SRL	86	G	10	0,00	26,505	100	100,00
44	ATAVALUE SRL (Ex MERIDIANO TERZO)	86	G	11	0,00	26,505	100	100,00
45	MILANO ASSICURAZIONI SPA	86	G	1	0,00	16,801	63,40	100,00
46	MIZAR SRL	86	G	10	0,00	26,505	100	100,00
49	NUOVA IMPRESA EDIFICATRICE MODERNA SRL	86	G	10	0,00	26,505	100	100,00
50	NUOVE INIZIATIVE TOSCANE SRL	86	G	10	0,00	26,202	100	100,00
51	MARINA DI LOANO SPA	86	G	10	0,00	26,505	100	100,00
53	PROGETTO BICOCCA LA PIAZZA SRL in liquidazione	86	G	10	0,00	19,613	74	100,00
54	PRONTO ASSISTANCE SPA	86	G	1	0,00	26,505	100	100,00
55	PRONTO ASSISTANCE SERVIZI SPA	86	G	11	0,00	21,182	100	100,00
56	RISTRUTTURAZIONI EDILI MODERNE R.EDIL.MO SRL	86	G	10	0,00	26,505	100	100,00
57	SAIAGRICOLA SPA	86	G	11	0,00	25,845	100	100,00

	Company	State	Method (1)	Activity (2)	% Direct holding	% Total holding (3)	Voting % in ordinary Shareholder meeting (4)	% consolidated
58	SAIFIN SAIFINANZIARIA SPA	86	G	11	0,00	26,505	100	100,00
59	SAI INVESTIMENTI S.G.R. SPA	86	G	8	20,00	38,389	80	100,00
60	SAINTERNATIONAL SA	92	G	11	0,00	26,505	100	100,00
61	SAI HOLDING ITALIA SPA	86	G	11	0,00	25,097	100	100,00
62	SAILUX SA	92	G	11	0,00	26,505	100	100,00
63	SAI MERCATI MOBILIARI SIM SPA	86	G	11	0,00	26,505	100	100,00
65	SANTA MARIA DEL FICO SRL	86	G	11	0,00	25,845	100	100,00
68	SCONTOFIN S.A. in liquidazione	92	G	11	0,00	51,285	89	100,00
69	SERVICE GRUPPO FONDIARIA SRL	86	G	11	0,00	23,594	100	100,00
70	SIAT SOCIETA' ITALIANA DI ASS. E RIASS. SPA	86	G	1	0,00	25,097	94,69	100,00
71	SIM ETOILE SA	29	G	10	0,00	26,505	100	100,00
72	SOGEINT SRL	86	G	11	0,00	16,801	100	100,00
73	SRP SERVICES SA	71	G	11	0,00	26,505	100	100,00
75	STIMMA SRL	86	G	10	0,00	26,505	100	100,00
76	SYSTEMA COMPAGNIA DI ASS.NI SPA	86	G	1	0,00	16,801	100	100,00
77	THE LAWRENCE LIFE ASSURANCE CO LTD	40	G	2	0,00	13,252	100	100,00
78	THE LAWRENCE RE IRELAND LTD	40	G	5	0,00	26,505	100	100,00
79	TIKAL R.E. FUND	86	G	10	0,00	21,750	95,01	100,00
80	TRENNO OVEST S.R.L.	86	G	10	0,00	26,505	100	100,00
81	GRUPPO FONDIARIA-SAI SERVIZI SCRL	86	G	11	0,00	23,136	100	100,00
82	VILLA RAGIONIERI SRL	86	G	10	0,00	26,505	100	100,00
84	FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL	86	G	11	0,00	26,505	100	100,00
85	LIGURIA SOCIETA' DI ASSICURAZIONI SPA	86	G	1	0,00	16,796	99,97	100,00
86	LIGURIA VITA SPA	86	G	1	0,00	16,796	100	100,00
88	INCONTRA ASSICURAZIONI SPA	86	G	1	0,00	13,517	51	100,00
90	MERIDIANO AURORA SRL	86	G	10	0,00	26,505	100	100,00
93	SINTESI SECONDA SRL	86	G	10	0,00	16,801	100	100,00
94	SOCIETA' EDILIZIA IMM.RE SARDA S.E.I.S. SPA	86	G	10	0,00	13,695	51,67	100,00
95	POPOLARE VITA SPA	86	G	1	0,00	13,252	50	100,00
96	DDOR NOVI SAD ADO	289	G	3	0,00	26,502	99,99	100,00
98	AUTO PRESTO & BENE SRL	86	G	11	0,00	26,505	100	100,00
99	SAINT GEORGE CAPITAL MANAGEMENT SA	71	G	11	0,00	26,505	100	100,00
100	ATHENS RE FUND - FONDO SPECULATIVO	86	G	10	0,00	16,801	100	100,00
101	CITTA' DELLA SALUTE SCRL	86	G	11	0,00	26,505	100	100,00
102	ATAHOTELS COMPAGNIA ITALIANA AZIENDE TURISTICHE ALBERGHIERE S.p.A.	86	G	11	0,00	21,750	100	100,00
103	DDOR RE JOINT STOCK REINSURANCE COMPANY	289	G	6	0,00	26,505	100	100,00
104	DONATELLO DAY SURGERY SRL	86	G	11	0,00	26,505	100	100,00
105	IMMOBILIARE FONDIARIA-SAI SRL	86	G	10	0,00	26,505	100	100,00
106	IMMOBILIARE MILANO ASSICURAZIONI SRL	86	G	10	0,00	16,801	100	100,00
107	ITALRESIDENCE SRL	86	G	11	0,00	21,750	100	100,00

(1) Consolidation method: on a line-by-line basis=G, Proportional=P, on a line-by-line basis per coordinated management=U

(2) 1=Italian ins.; 2=EU ins; 3=Other ins; 4=holding insurance; 5=EU reins; 6=Other reins; 7=Banks; 8=asset management companies; 9=Sundry holding; 10=Real estate companies 11=Other

(3) is the product of the percentage holdings relating to all the companies that may lie somewhere along the chain between the company that draws up the consolidated financial statements and the company in question. If the latter is a direct participating interest of several subsidiaries the individual products must be added up.

(4) total perentage of votes available at ordinary General Meetings if different from the direct or indirect investment.

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012
(Values in Euro)
Details of unconsolidated investments

Order number	Name	State	Activities (1)	Type (2)	% Direct holding	% Total participating holding (3)	% votes available at ordinary General Meetinfg (4)	Carrying amount
8	SOCIETA' FUNIVIE DEL PICCOLO SAN BERNARDO SPA	86	11	b	0,00	0,00	27,38	2.523.081
9	A7 SRL in liquidazione	86	10	b	0,00	0,00	20,00	141.000
10	BORSETTO SRL	86	10	b	0,00	0,00	44,93	2.526.000
13	FIN. PRIV. SRL	86	11	b	0,00	0,00	28,57	20.089.322
14	GARIBALDI SCA	92	11	b	0,00	0,00	32,00	70.254.000
17	METROPOLIS SPA in liquidazione	86	10	b	0,00	0,00	29,73	0
18	SERVIZI IMMOBILIARI MARTINELLI SPA	86	10	b	0,00	0,00	20,00	144.000
19	SOFIGEA SRL in liquidazione	86	11	b	0,00	0,00	22,41	761.974
20	SOAIMPIANTI-ORGANISMI DI ATTESTAZIONE SRL in liquidaz.	86	11	b	0,00	0,00	21,64	317.114
21	UFFICIO CENTRALE ITALIANO SCARL	86	11	b	0,00	0,00	25,12	229.151
22	PROGETTO ALFIERE SPA	86	10	b	0,00	0,00	19,00	804.947
24	PENTA DOMUS SPA	86	10	b	0,00	0,00	20,00	2.834.000
25	SVILUPPO CENTRO EST SRL	86	10	b	0,00	0,00	40,00	0
30	FONDIARIA-SAI SERVIZI TECNOLOGICI SPA	86	11	b	0,00	0,00	51,00	1.854.563
36	INVESTIMENTI MOBILIARI S.r.l. in liquidazione	86	11	a	100,00	100,00	100,00	75.431
37	PARTECIPAZIONI E INVESTIMENTI S.r.l. in liquidazione	86	11	a	100,00	100,00	100,00	75.448
38	PARTECIPAZIONI MOBILIARI S.r.l. in liquidazione	86	11	a	100,00	100,00	100,00	66.061
39	CONO ROMA S.r.l. IN LIQUIDAZIONE	86	11	b	0,00	50,00	50,00	0
41	DDOR AUTO DOO	289	3	a	0,00	0,00	100,00	12.680
42	DDOR GARANT	289	11	a	0,00	0,00	40,00	504.296
43	CONSULENZA AZIENDALE PER L'INFORMATICA SCAI SPA	86	11	b	0,00	0,00	30,07	1.434.850
44	BUTTERFLY AM SARL	92	11	b	0,00	0,00	28,57	6.768.573
46	VALORE IMMOBILIARE SRL	86	10	b	0,00	0,00	50,00	583.000
48	HOTEL TERME DI SAINT VINCENT SRL	86	11	a	0,00	0,00	100,00	1.149.011
49	ITAL H&R SRL	86	11	a	0,00	0,00	100,00	13.311
50	TOUR EXECUTIVE SRL	86	11	a	0,00	0,00	100,00	27.361
51	ATA BENESSERE SRL in liquidazione	86	11	a	0,00	0,00	100,00	13.991
54	ISOLA SCA	92	11	b	0,00	0,00	29,56	12.812.000

(1) 1=Italian ins.; 2=EU ins; 3=Other ins; 4=holding insurance; 5=EU reins; 6=Other reins; 7=Banks; 8=asset management companies; 9=Sundry holding; 10=Real estate companies 11=Other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=*joint venture* (IAS 31); indicated with an asterisk (*) the companies classified as held for sale in accordance with IFRS 5 and shown in the key below

(3) is the product of the percentage holdings relating to all the companies that may lie somewhere along the chain between the company that draws up the consolidated financial statements and the company in question. If the latter is a direct participating interest of several subsidiaries the individual products must be added up.

(4) total perentage of votes available at ordinary General Meetings if different from the direct or indirect investment.

PREMAFIN FINANZIARIA - S.P.A.

Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2012

Details of property, plant & equipment and intangible assets
(Values in Thousands of Euro)

	At cost	At restated value or at fair value	Total carrying amount
Investment property	2.216.422	-	2.216.422
Other property	307.532	-	307.532
Other tangible assets	69.048	-	69.048
Other intangible assets	58.516	-	58.516

PREMAFIN FINANZIARIA - S.P.A.

Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2012

Details of reinsurers' share of technical provisions

(Values in Thousands of Euro)

	Direct business		Inward business		Total carrying amount	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Non-Life provisions	**394.100**	**374.395**	**334.968**	**234.222**	**729.068**	**608.617**
Provision for unearned premiums	76.571	80.682	75.546	76.330	152.117	157.012
Provision for outstanding claims	317.529	293.713	259.422	157.892	576.951	451.605
Other provisions	-	-	-	-	-	-
Life provisions	**37.766**	**48.395**	**40.470**	**44.868**	**78.236**	**93.263**
Provisions for payable amounts	711	1.867	1.311	1.280	2.022	3.147
Mathematical provisions	37.055	46.528	39.159	43.588	76.214	90.116
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-
Total reinsurers' share of technical provisions	**431.866**	**422.790**	**375.438**	**279.090**	**807.304**	**701.880**

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

Details of financial assets
(Values in Thousands of Euro)

	Investment held to maturity		Loans and receivables		Available-for-sale financial assets		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets designated at fair value through profit or loss			
	DEC 2012	**DEC 2011**	**DEC 2012**	**DEC 2011**	**DEC 2012**	**DEC 2011**	**DEC 2012**	**DEC 2011**	**DEC 2012**	**DEC 2011**	**DEC 2012**	**DEC 2011**
Equity instruments and derivatives at cost	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments at fair value	-	-	-	-	910.474	1.167.836	38	351	49.962	30.248	960.474	1.198.435
of which listed securities	-	-	-	-	*675.037*	*914.523*	*38*	*351*	*49.962*	*30.248*	*725.037*	*945.122*
Debt securities	718.119	599.713	2.422.383	2.465.849	19.306.788	15.636.677	39.102	34.240	5.114.772	8.038.695	27.601.164	26.775.174
of which listed securities	*643.526*	*599.713*	*519.859*	*808.874*	*19.265.839*	*15.592.964*	*36.366*	*22.102*	*810.362*	*2.803.184*	*21.275.952*	*19.826.837*
UCITS	-	-	-	-	639.254	801.948	18.858	19.015	1.085.504	617.109	1.743.616	1.438.072
Loans and receivables from bank customers	-	-	518.706	636.315	-	-	-	-	-	-	518.706	636.315
Interbank loans and receivables	-	-	2.853	29.147	-	-	-	-	-	-	2.853	29.147
Deposits with ceding companies	-	-	22.358	24.895	-	-	-	-	-	-	22.358	24.895
Financial receivables on insurance contracts	-	-	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	-	-	534.469	512.968	-	-	-	-	-	-	534.469	512.968
Non-hedging derivatives	-	-	-	-	-	-	22	28	94.954	236.669	94.976	236.697
Hedging derivatives	-	-	-	-	-	-	-	-	7.282	12.328	7.282	12.328
Other financial investments	-	-	26.261	19.691	-	2.096	-	-	28.825	37.981	55.086	59.768
Total	**718.119**	**599.713**	**3.527.030**	**3.688.865**	**20.856.516**	**17.608.557**	**58.020**	**53.634**	**6.381.299**	**8.973.030**	**31.540.984**	**30.923.799**

PREMAFIN FINANZIARIA - S.P.A.

Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

Details of assets and liabilities relating to contracts issued by companies where the investment risk is borne by policyholders and arising from pension fund management

(Values in Thousands of Euro)

	Benefits linked to investment funds and indexes		Benefits linked to pension fund management		Total	
	DEC 2012	**DEC 2011**	**DEC 2012**	**DEC 2011**	**DEC 2012**	**DEC 2011**
Assets	6.016.977	8.624.071	318.079	275.932	6.335.056	8.900.003
Intragroup assets*	6.335	6.044	-	-	6.335	6.044
Total assets	**6.023.312**	**8.630.115**	**318.079**	**275.932**	**6.341.391**	**8.906.047**
Financial liabilities	162.181	963.677	318.079	275.932	480.260	1.239.609
Technical provisions	5.861.051	7.666.345	-	-	5.861.051	7.666.345
Intragroup liabilities*	-	-	-	-	-	-
Total liabilities	**6.023.232**	**8.630.022**	**318.079**	**275.932**	**6.341.311**	**8.905.954**

* Assets and liabilities eliminated on consolidation

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

Details of technical provisions
(Values in Thousands of Euro)

	Direct business		Inward business		Total carrying amount	
	DEC 2012	DEC 2011	DEC 2012	DEC 2011	DEC 2012	DEC 2011
Non-Life provisions	**12,411,183**	**12,491,112**	**111,030**	**119,210**	**12,522,213**	**12,610,322**
Provisions for unearned premiums	2,492,992	2,740,036	1,739	1,810	2,494,731	2,741,846
Provisions for outstanding claims	9,908,845	9,740,723	109,291	117,400	10,018,136	9,858,123
Other provisions	9,346	10,353	-	-	9,346	10,353
including provisions allocated as a result of the liability adequacy test	-	-	-	-	-	-
Life provisions	**21,119,675**	**22,478,237**	**16,011**	**18,946**	**21,135,686**	**22,497,183**
Provisions for payable amounts	247,490	358,409	754	2,281	248,244	360,690
Mathematical provisions	14,930,142	15,146,572	15,257	16,665	14,945,399	15,163,237
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	5,861,051	7,666,345	-	-	5,861,051	7,666,345
Other provisions	80,992	(693,089)	-	-	80,992	(693,089)
including provisions allocated as a result of the liability adequacy test	-	-	-	-	-	-
including deferred liabilities to policyholders	*9,846*	*(772,473)*	-	-	*9,846*	*(772,473)*
Total technical provisions	**33,530,858**	**34,969,349**	**127,041**	**138,156**	**33,657,899**	**35,107,505**

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

Details of financial liabilities
(Values in Thousands of Euro)

	Financial liabilities at fair value through profit or loss							
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss		Other financial liabilities		Total carrying amount	
	DEC 2012	DEC 2011	DEC 2012	DEC 2011	DEC 2012	DEC 2011	DEC 2012	DEC 2011
Equity financial instruments	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	1.048.074	1.049.467	1.048.074	1.049.467
Liabilities arising from financial contracts issued by insurance company	-	-	480.260	1.239.609	-	-	480.260	1.239.609
arising from contracts where the investment risk is borne by policyholders	-	-	*162.181*	*963.677*	-	-	*162.181*	*963.677*
arising from pension fund management	-	-	*318.079*	*275.932*	-	-	*318.079*	*275.932*
arising from other contracts	-	-	-	-	-	-	-	-
Deposits received from reinsurers	-	-	-	-	153.236	171.542	153.236	171.542
Financial items payable on insurance contracts	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	84.766	99.013	84.766	99.013
Payables to banking customers	-	-	-	-	165.796	228.416	165.796	228.416
Interbank payables	-	-	-	-	-	-	-	-
Other borrowings	-	-	-	-	123.720	130.192	123.720	130.192
Non-hedging derivatives	1.172	45.826	308	839	-	-	1.480	46.665
Hedging derivatives	510	7.649	85.022	53.623	-	-	85.532	61.272
Other financial liabilities	-	-	2.475	1.960	571.446	499.535	573.921	501.495
Total	**1.682**	**53.475**	**568.065**	**1.296.031**	**2.147.038**	**2.178.165**	**2.716.785**	**3.527.671**

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

Details of technical insurance items
(Values in Thousands of Euro)

		2012			DEC 2011 restated IAS 8			2011		
		Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business										
NET PREMIUMS		6.665.585	(301.379)	6.364.206	7.096.685	(304.629)	6.792.056	7.096.685	(304.629)	6.792.056
a	Premiums	6.420.807	(293.294)	6.127.513	7.059.924	(311.829)	6.748.095	7.059.924	(311.829)	6.748.095
b	Change in provision for unearned premiums	244.778	(8.085)	236.693	36.761	7.200	43.961	36.761	7.200	43.961
NET CHARGES RELATING TO CLAIMS		(5.296.257)	296.944	(4.999.313)	(5.555.005)	147.188	(5.407.817)	(6.072.005)	147.188	(5.924.817)
a	Amounts paid	(5.254.709)	174.490	(5.080.219)	(5.488.355)	166.130	(5.322.225)	(5.488.355)	166.130	(5.322.225)
b	Change in provision for outstanding claims	(163.252)	123.408	(39.844)	(234.863)	(23.912)	(258.775)	(751.863)	(23.912)	(775.775)
c	Change in recoveries	121.448	(954)	120.494	167.944	4.970	172.914	167.944	4.970	172.914
d	Change in other technical provisions	256	-	256	269	-	269	269	-	269
Life business										
NET PREMIUMS		3.611.582	(8.553)	3.603.029	3.753.573	(18.285)	3.735.288	3.753.573	(18.285)	3.735.288
NET CHARGES RELATING TO CLAIMS		(4.363.772)	5.531	(4.358.241)	(4.334.852)	18.899	(4.315.953)	(4.334.852)	18.899	(4.315.953)
a	Amounts paid	(6.474.814)	20.420	(6.454.394)	(4.393.334)	24.226	(4.369.108)	(4.393.334)	24.226	(4.369.108)
b	Change in provision for payable amounts	106.537	(1.124)	105.413	(138.661)	992	(137.669)	(138.661)	992	(137.669)
c	Change in mathematical provisions	223.207	(13.765)	209.442	912.409	(6.319)	906.090	912.409	(6.319)	906.090
d	Change in technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	1.808.967	-	1.808.967	(721.290)	-	(721.290)	(721.290)	-	(721.290)
e	Change in other technical provisions	(27.669)	-	(27.669)	6.024	-	6.024	6.024	-	6.024

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

Investment income and charges
(Values in Thousands of Euro)

		Interest	Other gains	Other losses	Realized gains	Realized losses	Total realized gains and losses	Unrealized gains: Unrealized gains	Unrealized gains: Reversal of impairment losses	Unrealized losses: Unrealized losses	Unrealized losses: Impairment losses	Total unrealized gains and losses	Total gains and losses 31/12/2012	Total gains and losses 31/12/2011
Balance on investments		**958.613**	**275.935**	**(116.013)**	**447.290**	**(212.676)**	**1.353.149**	**223.521**	**8.283**	**(183.142)**	**(485.879)**	**(437.217)**	**915.932**	**598.625**
a	Arising from investment property	-	87.572	(60.412)	23.466	(44)	**50.582**	-	-	(72.537)	(281.436)	**(353.973)**	**(303.391)**	**(252.041)**
b	Arising from investments in subsidiaries, associates and interests in joint venture	-	531	(12.938)	110	(440)	**(12.737)**	-	-	(1.858)	-	**(1.858)**	**(14.595)**	**(5.241)**
c	Arising from investments held to maturity	39.081	165	(12)	3.066	-	**42.300**	-	-	-	-	-	**42.300**	**35.554**
d	Arising from loans and receivables	167.069	-	(4.020)	326	(6.308)	**157.067**	-	6.860	(4)	(16.276)	**(9.420)**	**147.647**	**142.034**
e	Arising from available-for-sale financial assets	599.249	50.434	(7.747)	184.000	(141.170)	**684.766**	-	1.423	-	(188.167)	**(186.744)**	**498.022**	**353.934**
f	Arising from financial assets held for trading	2.421	6	(3)	4.524	(3.889)	**3.059**	8.025	-	(4.910)	-	**3.115**	**6.174**	**3.103**
g	Arising from financial assets designated at fair value through profit or loss	150.793	137.227	(30.881)	231.798	(60.825)	**428.112**	215.496	-	(103.833)	-	**111.663**	**539.775**	**321.282**
Balance on sundry receivables		3.639	237	(32)	-	-	**3.844**	-	-	-	-	-	**3.844**	**13.803**
Balance on cash and cash equivalents		14.898	-	(516)	-	-	**14.382**	-	-	-	-	-	**14.382**	**12.327**
Balance on financial liabilities		**(74.150)**	-	**(373)**	-	-	**(74.523)**	**941**	-	**(2.318)**	-	**(1.377)**	**(75.900)**	**(105.785)**
a	Arising from financial liabilities held for trading	-	-	-	-	-	-	941	-	(2.318)	-	**(1.377)**	**(1.377)**	**(20.341)**
b	Arising from financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-
c	Arising from financial liabilities	(74.150)	-	(373)	-	-	**(74.523)**	-	-	-	-	-	**(74.523)**	**(85.444)**
Balance on payables		(5.887)	-	-	56	-	**(5.831)**	-	-	-	-	-	**(5.831)**	**(5.568)**
Total		**897.113**	**276.172**	**(116.934)**	**447.346**	**(212.676)**	**1.291.021**	**224.462**	**8.283**	**(185.460)**	**(485.879)**	**(438.594)**	**852.427**	**513.402**

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

Details of insurance business expenses

(Values in Thousands of Euro)

		Non-Life Business		Life Business	
		2012	**DEC 2011**	**2012**	**DEC 2011**
Gross commissions and other acquisitions expenses		(1.199.242)	(1.358.075)	(124.078)	(130.388)
a	Acquisition commissions	(867.426)	(1.056.191)	(93.030)	(92.938)
b	Other acquisition expenses	(212.074)	(213.502)	(26.653)	(24.485)
c	Change in deferred acquisition expenses	19.311	(52.242)	2.637	(5.044)
d	Renewal commissions	(139.053)	(36.140)	(7.032)	(7.921)
Commissions and profit-sharing received from reinsurers		73.607	80.658	962	1.182
Investment management expenses		(9.998)	(10.156)	(5.924)	(5.761)
Other administrative expense		(271.741)	(290.928)	(74.434)	(63.777)
Total		**(1.407.374)**	**(1.578.501)**	**(203.474)**	**(198.744)**

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

Details of other comprehensive income

(Values in Thousands of Euro)

	Allocated amounts		reclassification		Other changes		Total changes		Taxation		At	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Reserve for currency translation differences	(10.317)	(33.859)					(10.317)	(33.859)			(65.586)	(55.269)
Gains or losses on available-for-sale financial assets	783.816	(775.565)	183.286	136.887	-	-	967.102	(638.678)	(388.084)	286.897	286.885	(680.217)
Gains or losses on cash flow hedges	(14.578)	(12.153)	-	-	-	-	(14.578)	(12.153)	6.282	5.135	(53.169)	(38.591)
Gains or losses on hedges of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-
Reserve from change in equity of investees	7.383	4.168	-	-	-	-	7.383	4.168	-	-	16.338	8.955
Revaluation reserve for intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve for property, plant and equipment	-	(544)	-	-	-	-	-	(544)	-	-	(555)	(555)
Gains or losses on non-current assets held for sale or disposal groups	-	-	-	-	-	-	-	-	-	-	(10)	(10)
Actuarial gains or losses and adjustments relating to defined benefit plans	(11.264)	(7.344)	-	-	-	-	(11.264)	(7.344)	4.654	3.812	(30.545)	(19.281)
Other items	-	(8.085)	-	-	-	-	-	(8.085)	-	-	48.449	48.450
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES)	**755.040**	**(833.382)**	**183.286**	**136.887**	-	-	**938.326**	**(696.495)**	**(377.148)**	**295.844**	**201.807**	**(736.518)**

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

Details of financial assets and liabilities by level

(Values in Thousands of Euro)

		Level 1		Level 2		Level 3		Total	
		31.12.2012	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Available for sale financial assets		20.203.620	16.507.392	21.657	753.370	631.239	214.388	20.856.516	17.475.150
Financial assets at fair value through profit or loss	Financial assets held for trading	57.527	22.453	9	31.181	484	-	58.020	53.634
	Financial assets designated at fair value through profit or loss	1.844.642	20.331	2.200.526	8.952.699	2.336.131	-	6.381.299	8.973.030
Total		**22.105.789**	**16.550.176**	**2.222.192**	**9.737.250**	**2.967.854**	**214.388**	**27.295.835**	**26.501.814**
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	1.682	53.474	-		1.682	53.474
	Financial liabilities designated at fair value through profit or loss	-	-	568.065	1.296.032	-		568.065	1.296.032
Total		-	-	**569.747**	**1.349.506**	-	-	**569.747**	**1.349.506**

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012

Details of changes in financial assets and liabilities at level 3

	Financial assets			Financial liabilities	
		Financial assets at fair value through profit or loss		Financial liabilities at fair value through profit or loss	
	Available for sale financial assets	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	**214.388**				
Acquisition/Issues					
Disposals/Repurchases					
Repayments					
Profit or loss recognised in profit or loss	5.805				
Profit or loss recognised in other comprehensive income	9.000				
Transfers to level 3	402.046	485	2.336.131		
Transfers to other levels					
Other variations					
Closing balance	**631.239**	**485**	**2.336.131**	-	-

PREMAFIN FINANZIARIA - S.p.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DICEMBRE 2012

BOARD OF STATUTORY AUDITORS' REPORT

Report of the Board of Statutory Auditors "Collegio Sindacale" on the consolidated financial statements at 31/12/2012

The consolidated financial statements of the Premafin Group, which report Group's net equity of euro 187,556 thousand, including Group losses of euro 283,607 thousand, have been prepared in accordance with international accounting standards as adopted by the European Union, as well as with the Regulation issued to implement Article 90 of Legislative Decree 209 of 2005. In particular, the financial statements and the explanatory notes have been prepared in accordance with the provisions of Legislative Decree 38 of 2005, and the schedules required by ISVAP in Regulation 7 of 13 July 2007, as subsequently amended, have been adopted.

The consolidated financial statements comprise the Balance sheet, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement and the related explanatory Notes. It is also accompanied by the Management Report.

The Consolidated Financial Statements and the Management Report are comprehensive and disclose fully, even in relation to Premafin, the main consolidated companies and the business sectors in which the Group operates, business and development activities, strategies and relationships between Group companies. In particular, an examination of the Management Report showed that it is consistent with the results of the consolidated financial statements, as was also indicated in the Report of the Independent Auditors Reconta Ernst & Young S.p.A. issued on 4 April 2013.

The Board of Directors, in compliance with the requirements of the Bank of Italy/Consob/Isvap joint document 4 of 3 March 2010, assessed whether the procedures used by the Company in carrying out impairment tests on assets were compliant with the requirements of IAS 36.

Through checks carried out on the Consolidated Financial Statements, we have ascertained the adequacy of the consolidation procedures adopted by Premafin in the management report and in consolidation transactions.

The Board notes that the Independent Auditor's Report of Reconta Ernst & Young S.p.A., dated 24 April 2013, contains an unqualified opinion on the consolidated financial statements of Fondiaria-SAI Group as at 31 December 2012.

The report will be re-issued dated 24 April 2013 as a result of the adjustments made to the Consolidated Financial Statements in accordance with Consob Ruling 18431 of 21 December 2012. These adjustments relate to the restatement of the comparative figures in the Consolidated Financial Statements for 2011.

Bologna, 24 April 2013

The Board of Statutory Auditors

Signed by:

Vittorio De Cesare

(Chairman)

Antonino D'Ambrosio

(Statutory Auditor)

Domenico Livio Trombone

(Statutory Auditor)

PREMAFIN FINANZIARIA - S.p.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENT AT 31 DICEMBRE 2012

INDEPENDENT AUDITORS' REPORT

EY
Building a better working world

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel: +39 02 722121
Fax: +39 02 72212037
ey.com

Independent auditors' report pursuant to articles 14 and 16 of Legislative Decree No. 39 dated 27 January 2010
(Reissued)

(Translation from the original Italian text)

To the Shareholders of
PREMAFIN FINANZIARIA S.p.A.
Holding di Partecipazioni

1. We have audited the consolidated financial statements of PREMAFIN FINANZIARIA S.p.A. Holding di Partecipazioni and its subsidiaries (the "PREMAFIN Group") as of 31 December 2012 and for the year then ended, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow and the related explanatory notes. 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 in implementation of article 90 of the Legislative Decree n. 209/2005, is the responsibility of PREMAFIN FINANZIARIA S.p.A. Holding di Partecipazioni's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 24 April 2012.

   As illustrated in the paragraph "Additional disclosure in the financial statements and explanatory notes relating to the 2011 comparative figures" of the explanatory notes, PREMAFIN FINANZIARIA S.p.A. Holding di Partecipazioni provided some figures and information referred to prior year that, in the opinion of the Directors, have the exclusive purpose of complying with Consob Resolution n. 18431 dated 21 December 2012. We did not audit those figures.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.IVA 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

3. In our opinion, the consolidated financial statements of PREMAFIN Group at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as well as the Regulation issued in implementation of article 90 of Legislative Decree n. 209/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the PREMAFIN Group as of 31 December 2012 and for the year then ended.

4. The Directors of PREMAFIN FINANZIARIA S.p.A. Holding di Partecipazioni are responsible for the preparation of the Management Report and the Corporate Governance and Share Ownership Report, published in the section "Corporate Governance" of the PREMAFIN FINANZIARIA S.p.A. Holding di Partecipazioni's web-site, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Management Report and the specific section on Corporate Governance and Ownership Structure Report, limited to the information indicated in article 123-bis, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of Legislative Decree n. 58/1998 with the financial statements, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Management Report and the information presented in the Corporate Governance and Share Ownership Report as required by article 123-bis paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) of Legislative Decree n. 58/1998, are consistent with the consolidated financial statements of the PREMAFIN Group at 31 December 2012.

Milan, 24 April 2013

Reconta Ernst & Young S.p.A.
Signed by: Enrico Marchi, Partner

This report has been translated into the English language solely for the convenience of international readers