Unipol Assicurazioni
2013 Consolidated
Financial Statements

Unipol Assicurazioni S.p.A.

The Company merged into UnipolSai S.p.A. (previously Fondiaria-Sai S.p.A.) for legal purposes on 6 January 2014, backdated to 1 January 2014 for accounting and tax purposes, with registered office at 45, Via Stalingrado, Bologna and registration number on the Bologna Companies' Register 00818570012, by means of F. Tassinari Notarial Act Reference 53712 dated 2 January 2014

2013 Consolidated financial statements

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Consolidated statement of financial position - Assets

	Values in Millions of Euro	31/12/2013	31/12/2012
1	INTANGIBLE ASSETS	371,6	352,3
1.1	Goodwill	306,7	306,7
1.2	Other intangible assets	64,9	45,5
2	PROPERTY, PLANT AND EQUIPMENT	354,1	396,0
2.1	Property	321,9	368,1
2.2	Other tangible assets	32,2	27,9
3	REINSURERS' SHARE OF TECHNICAL PROVISIONS	305,8	365,2
4	INVESTMENTS	21.874,6	20.365,0
4.1	Investment property	664,9	620,4
4.2	Investments in subsidiaries, associates and joint ventures	245,7	333,5
4.3	Investments held to maturity	1.488,1	1.754,3
4.4	Loans and receivables	3.979,7	4.456,6
4.5	Available-for-sale financial assets	12.247,8	9.986,6
4.6	Financial assets at fair value through profit or loss	3.248,5	3.213,6
5	OTHER RECEIVABLES	1.214,5	1.213,4
5.1	Receivables arising out of direct insurance operations	719,2	705,5
5.2	Receivables arising out of reinsurance operations	40,6	42,6
5.3	Other receivables	454,6	465,3
6	OTHER ASSETS	406,6	505,1
6.1	Non-current assets or disposal group classified as held-for-sale	0,0	0,0
6.2	Deferred acquisition costs	14,0	14,7
6.3	Deferred tax assets	277,3	388,1
6.4	Current tax assets	0,0	0,0
6.5	Other assets	115,3	102,3
7	CASH AND CASH EQUIVALENTS	1.022,3	576,3
	TOTAL ASSETS	25.549,5	23.773,2

Consolidated statement of financial position - Equity and liabilities

	Values in Millions of Euro	31/12/2013	31/12/2012
1	EQUITY	2.861,8	1.909,8
1.1	attributable to the owners of the parent	2.861,8	1.909,8
1.1.1	Share capital	859,1	259,1
1.1.2	Other equity instruments		
1.1.3	Capital reserves	805,9	805,9
1.1.4	Retained earnings and other reserves	1.073,1	985,8
1.1.5	(Own shares)	0,0	0,0
1.1.6	Reserve for currency translation differences		
1.1.7	Gains or losses on available-for-sale financial assets	-68,5	-327,6
1.1.8	Other gains or losses recognized directly in equity	-35,2	-58,2
1.1.9	Profit (loss) for the period/year attributable to the owners of the parent	227,4	244,8
1.2	attributable to non-controlling interests	0,0	0,0
1.2.1	Share capital and reserves	0,0	0,0
1.2.2	Gains or losses recognized directly in equity	0,0	0,0
1.2.3	Profit (loss) for the period/year attributable to non-controlling interests	0,0	0,0
2	PROVISIONS	143,9	67,1
3	TECHNICAL PROVISIONS	19.926,8	19.206,3
4	FINANCIAL LIABILITIES	1.813,8	1.797,9
4.1	Financial liabilities at fair value through profit or loss	608,4	686,8
4.2	Other financial liabilities	1.205,4	1.111,1
5	PAYABLES	389,5	364,6
5.1	Payables arising out of direct insurance operations	58,5	48,4
5.2	Payables arising out of reinsurance operations	23,2	13,3
5.3	Other payables	307,9	302,8
6	OTHER LIABILITIES	413,7	427,6
6.1	Liabilities of a disposal group classified as held-for-sale	0,0	0,0
6.2	Deferred tax liabilities	85,8	128,1
6.3	Current tax liabilities	45,8	56,6
6.4	Other liabilities	282,1	242,9
	TOTAL EQUITY AND LIABILITIES	25.549,5	23.773,2

Consolidated Income Statement

	Values in Millions of Euro	31/12/2013	31/12/2012
1.1	Net premiums	5.637,4	5.569,5
1.1.1	*Gross premiums*	*5.803,3*	*5.701,7*
1.1.2	*Reinsurance premiums*	*-165,9*	*-132,1*
1.2	Fee and commission income	10,8	10,6
1.3	Gains and losses on financial instruments at fair value through profit or loss	175,6	207,8
1.4	Income from investments in subsidiaries, associates and joint ventures	3,5	3,6
1.5	Income from other financial instruments and investment property	896,7	858,3
1.5.1	*Interest income*	*594,2*	*613,5*
1.5.2	*Other income*	*58,1*	*74,1*
1.5.3	*Realised gains*	*244,5*	*141,1*
1.5.4	*Unrealized gains*	*0,0*	*29,7*
1.6	Other income	64,4	54,6
1	TOTAL REVENUES	6.788,4	6.704,6
2.1	Net insurance claims	-4.759,1	-5.000,1
2.1.1	*Amounts paid and changes in technical provisions*	*-4.802,5*	*-5.117,8*
2.1.2	*Reinsurers' share*	*43,4*	*117,7*
2.2	Fee and commission expenses	-9,8	-9,5
2.3	Losses on investments in subsidiaries, associates and joint venture	-99,2	-0,1
2.4	Charges from other financial instruments and property	-235,5	-249,2
2.4.1	*Interest expenses*	*-35,3*	*-44,2*
2.4.2	*Other expenses*	*-8,5*	*-11,3*
2.4.3	*Realized losses*	*-71,8*	*-50,9*
2.4.4	*Changes in fair values*	*-119,9*	*-142,8*
2.5	Management expenses	-1.039,0	-990,6
2.5.1	*Commissions and other acquisition costs*	*-843,4*	*-811,6*
2.5.2	*Investment management expenses*	*-34,6*	*-32,7*
2.5.3	*Other administration expenses*	*-161,0*	*-146,3*
2.6	Other costs	-220,5	-87,3
2	TOTAL COSTS AND EXPENSES	-6.363,1	-6.336,7
	NET PROFIT (LOSS) BEFORE TAX	425,4	367,9
3	Tax	-197,9	-123,1
	NET PROFIT (LOSS)	227,4	244,8
4	NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	0,0	0,0
	CONSOLIDATED PROFIT (LOSS)	227,4	244,8
	attributable to the owners of the parent	*227,4*	*244,8*
	attributable to non-controlling interests	*0,0*	*0,0*

Consolidated Statement of Comprehensive Income

Values in Millions of Euro	31/12/2013	31/12/2012
CONSOLIDATED PROFIT (LOSS)	227,4	244,8
Other comprehensive income, net of taxes without reclassification to profit or loss	8,0	-2,9
Share of other comprehensive income of associates	8,8	1,2
Reserve for revaluation model on intangible assets	0,0	0,0
Reserve for revaluation model on tangible assets	0,0	0,0
Result of discontinued operations	0,0	0,0
Actuarial gains or losses arising from defined benefit plans	-0,8	-4,1
Other	0,0	0,0
Other comprehensive income, net of taxes with reclassification to profit or loss	274,1	598,3
Foreign currency translation differences	0,0	0,0
Net unrealized gains or losses on available-for-sale financial assets	259,0	612,2
Net unrealized gains or losses on cash flows hedging derivatives	15,0	-13,9
Net unrealized gains or losses on hedge of a net investment in foreign operations	0,0	0,0
Share of other comprehensive income of associates	0,0	0,0
Result of discontinued operations	0,0	0,0
Other	0,0	0,0
OTHER COMPREHENSIVE INCOME	282,1	595,4
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	509,5	840,1
attributable to the owners of the parent	*509,5*	*840,1*
attributable to non-controlling interests	*0,0*	*0,0*

Consolidated Statement of changes in equity

Values in Millions of Euro		Amounts at 31/12/2011	Changes to closing balances	Allocated amounts	Reclassifications to the Income Statement	Transfers	Amounts at 31/12/2012
Equity attributable to the owners of the parent	Share capital	259,1		0,0			259,1
	Other equity instruments						
	Capital reserves	805,9		0,0			805,9
	Retained earnings and other reserves	1.020,5		-34,7		0,0	985,8
	(Own shares)	0,0					0,0
	Profit (loss) for the year	-44,0		288,8		0,0	244,8
	Other comprehensive income/expense	-981,1		382,0	213,4	0,0	-385,8
	Total attributable to the owners of the parent	1.060,3	0,0	636,1	213,4	0,0	1.909,8
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	0,0		0,0			0,0
	Profit (loss) for the year	0,0		0,0		0,0	0,0
	Other comprehensive income/expense	0,0		0,0	0,0	0,0	0,0
	Total attributable to non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0
Total		1.060,3	0,0	636,1	213,4	0,0	1.909,8

		Amounts at 31/12/2012	Changes to closing balances	Allocated amounts	Reclassifications to the Income Statement	Transfers	Amounts at 31/12/2013
Equity attributable to the owners of the parent	Share capital	259,1		600,0			859,1
	Other equity instruments						
	Capital reserves	805,9		0,0			805,9
	Retained earnings and other reserves	985,8		87,3			1.073,1
	(Own shares)	0,0		0,0			0,0
	Profit (loss) for the year	244,8		132,7		-150,0	227,4
	Other comprehensive income/expense	-385,8		271,7	10,4	0,0	-103,7
	Total attributable to the owners of the parent	1.909,8	0,0	1.091,7	10,4	-150,0	2.861,8
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	0,0		0,0			0,0
	Profit (loss) for the year	0,0		0,0		0,0	0,0
	Other comprehensive income/expense	0,0		0,0	0,0	0,0	0,0
	Total attributable to non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0
Total		1.909,8	0,0	1.091,7	10,4	-150,0	2.861,8

STATEMENT OF CASH FLOWS (indirect method)

Values in Millions of Euro	31/12/2013	31/12/2012
Profit (loss) before tax for the year	425,4	367,9
Change in non-monetary items	717,9	-196,7
Chang in Non-Life premium provision	-62,0	-63,3
Change in claims provision and other Non-Life technical provisions	-163,6	-30,4
Change in mathematical provisions and other Life technical provisions	1.005,4	306,1
Change in deferred acquisition costs	0,7	3,9
Change in provisions	76,8	-18,2
Non-monetary gains and losses on financial instruments, investment property and investments	-136,2	-162,4
Other changes	-3,4	-232,5
Change in receivables and payables generated by operating activities	22,8	235,8
Change in receivables and payables arising out of direct insurance and reinsurance operations	8,1	35,4
Change in other receivables and payables	14,7	200,4
Paid taxes	-241,2	-
Net cash flows generated by/used for monetary items from investing and financial activities	27,2	-57,7
Liabilities from financial contracts issued by insurance companies	-11,6	-61,7
Payables to bank and interbank customers	0,0	-
Loans and receivables from bank and interbank customers	0,0	-
Other financial instruments at fair value through profit or loss	38,7	4,1
TOTAL NET CASH FLOW GENERATED BY/USED FOR OPERATING ACTIVITIES	952,1	349,3

Net cash flow generated by/used for investment property	-30,7	-146,5
Net cash flow generated by/used for investments in subsidiaries, associates and joint ventures	0,0	-10,7
Net cash flow generated by/used for loans and receivables	510,3	48,2
Net cash flow generated by/used for held-to-maturity investments	277,1	362,8
Net cash flow generated by/used for available-for-sale financial assets	-1.755,4	-355,5
Net cash flow generated by/used for property, other tangible assets and intangible assets	-55,7	66,3
Other net cash flows generated by/used for investment activities		-
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	-1.054,3	-35,3

Net cash flow generated by/used for equity instruments attributable to the owners of the parent	600,0	0,0
Net cash flow generated by/used for treasury shares		-
Dividends distributed to the owners of the parent	-150,0	-
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests		-
Net cash flow generated by/used for subordinated liabilities and equity instruments		-
Net cash flow generated by/used for other financial liabilities	98,3	-0,7
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	548,2	-0,7

Effect of exchange rate gains/losses on cash and cash equivalents	0,0	0,0

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	576,3	263,1
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	446,0	313,2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1.022,3	576,3

Notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOREWORD

At the reference date of these consolidated financial statements (31 December 2013), Unipol Assicurazioni S.p.A. ("Unipol Assicurazioni"), with registered office in Bologna (Italy), was wholly controlled by Unipol Gruppo Finanziario SpA ("UGF") that carried out management and coordination activities thereon, pursuant to Article 2497 et seq of the Civil Code. As detailed below, as from 6 January 2014, Unipol Assicurazioni merged into Fondiaria-SAI S.p.A. ("Fondiaria-SAI") which, on the same date, changed its name to UnipolSai Assicurazioni S.p.A. ("UnipolSai Assicurazioni" or "UnipolSai").

During the financial year under review in these consolidated financial statements, the Unipol Assicurazioni Group, constituted by Unipol Assicurazioni and its subsidiaries, carried out activities in the business of insurance, reinsurance and capitalisation; any may also issue investment contracts and set up and manage open-ended Pension Funds, in accordance with the provisions of Article 9 of Legislative Decree 124 of 21/04/1993, as subsequently amended. It also carried out real estate activities, principally in managing property used by the companies forming part of the group headed by the parent company Unipol Gruppo Finanziario SpA ("Unipol Group").

This document, which includes the consolidated financial statements of Unipol Assicurazioni for the year ended 31 December 2013, has been prepared within the context of the merger by incorporation of Premafin Finanziaria S.p.A. - Holding di Partecipazioni ("Premafin"), Unipol Assicurazioni and Milano Assicurazioni S.p.A. ("Milano Assicurazioni") in Fondiaria-SAI (the "Merger"). It is also prepared as part of the drawing up of the Base Prospectus within UnipolSai Assicurazioni's EMTN (Euro Medium-Term Note) programme.

It should be noted that Unipol Assicurazioni had not prepared consolidated financial statements within the ordinarily prescribed timeframe, as it has availed itself of the exemption provided for in Articles 96 and 97 of Legislative Decree 209 of 7 September 2005 ("Codice delle Assicurazioni Private", the Private Insurance Code) and Article 21 of ISVAP Ruling 7 of 13 July 2007. The consolidated financial statements prepared by the parent company Unipol Gruppo Finanziario S.p.A. include the balances of Unipol Assicurazioni Group.

As a result of the legal effectiveness of the Merger, these consolidated financial statements have been approved by the Board of Directors of the incorporating company, UnipolSai.

Performance review

2013 has been a particularly significant year for Unipol Assicurazioni and for the whole Group, since on the anniversary of its first fifty years of operations, it has managed to complete the long process of merging with the Premafin/Fonsai Group, that resulted in the establishment of UnipolSAI, a leader in the insurance market.

Unipol celebrated its first fifty years of operations in 2013. The insurance company Unipol, that had been set up in 1961 by the automobile company Lancia was then transferred to a cooperative group from Bologna in 1962 and started operations in March 1963 when the first Board of Directors of the Company took place. Through an initial process of consolidation and geographical expansion, and as from the beginning of the 2000s, a strong drive to expand externally, that culminated in the acquisition of the Premafin/Fondiaria-SAI Group, Unipol is now the market leader in local Non-life business. The anniversary was celebrated with events held in the "Corte" of the new Torre Unipol in Via Larga, which was open for the public that attended in numerous crowds to the events organised. In addition, on the occasion of the 50th anniversary, CUBO (www.cubounipol.it), a multimedia centre intended to take its visitors through the Group's 50 years history, and to remember its heritage and achievements, was established. The Centre was inaugurated on 26 March 2013 and is situated on the ground floor of the elevated square in Porta Europa in Bologna (piazza Vieira de Mello).

The establishment of UnipolSAI adds to the pride in the achievements made so far and brings new growth prospects for the future. In fact, the business combination between the Unipol Assicurazioni Group and the Premafin/Fondiaria-SAI Group has been completed. After the awaited authorisation from IVASS was obtained on 25 July 2013, last October the Extraordinary general meetings of the companies involved resolved to merge Premafin, Unipol Assicurazioni and Milano Assicurazioni by incorporation into Fondiaria-SAI. The business merger, that was always considered an essential part of the integration between the Unipol Assicurazioni Group and the former Premafin-Fondiaria-SAI Group, led to the establishment, effective 6 January 2014, of UnipolSai Assicurazioni S.p.A. ("UnipolSai"), that is expected to benefit from a number of synergies. The merger of the former companies, which were leaders in the local insurance market in terms of brands, tradition, skills and experience is the concluding step in the integration of the Unipol and Premafin/Fondiaria-SAI groups that commenced in the beginning of 2012. UnipolSai now operates in the market through seven units: Unipol, La Fondiaria, Sai, Milano, Nuova MAA, SASA and La Previdente.

As concerns business performance, the Company registered important favourable economic results in financial year 2013, driven by the positive performance of the insurance and investment sectors. Notwithstanding increased competition that impacted prices charged, Non-Life insurance business registered further improvements in claims in this financial year because the latter was not impacted by severe catastrophe events like the previous year (especially the Emilia earthquake), and because of the adequacy of prior year claims reserves following the strengthening in reserves carried out in previous years. Life business also registered improvements, both in premium income and in profitability due to strengthened financial markets that encouraged customers' propensity towards insurance products.

More specifically, direct premium income from Non-life business, that totalled euro 3,468 million, was impacted by the persisting economic crisis by which the number of insured vehicles decreased, business spending capacity reduced, as well as by increased competition that resulted in reduced average premiums (especially in the MV TPL class of business).
In order to counter these unfavourable trends, whilst the Company's underwriting policies and criteria continued to be selective, they became increasingly flexible, in order to retain portfolios. Other actions taken include increased marketing campaigns and the launch of new products aimed at helping customers that are struggling with the economic crisis, including for example the MV TPL policies on which premiums can be paid in monthly instalments at zero interest.

Premiums in the MV TPL line of business amounted to euro 1,834 million (-7.2% compared to 2012), and even the MV damage class of business, that was heavily impacted by the decline in new car sales, registered a drop of 10.3% with premiums that amounted to euro 256 million. Impacted by the effect of the economic crisis on households and businesses, Non-motor classes of businesses remained largely stable, with a decrease of 1.1%.

In relation to current year Non-life claims, the positive trend that had been registered during the previous financial year continued, with technical indicators on MV TPL consistently improving and further decreases in claims reported, over the previous year, being registered. These compensated for the effects of the decrease in average prices.
Positive trends were also observed on Non-motor claims, in particular as concerns claims related to weather and natural disasters. The first half of 2012 had been impacted by claims related to the heavy snowfalls in Romagna (February) and the earthquakes in Emilia and surrounding areas (in the month of May).

In financial year 2013, following the strengthening of claims reserves that was made in financial year 2012, third party liability prior year claims were adequate, whilst releases in reserves were registered in other classes.
The loss ratio on direct business equalled 61.6% (69.4% in 2012).

The expense ratio on direct business resulted to be 26.9%, and was impacted by initial costs of the merger as forecast in the business plan, by the costs of the so-called black boxes in MV TPL insurance that as from this year are to be borne entirely by insurers and by commission costs related to the interest free financing that is provided by a company within the Group's banking segment. A higher proportion of variable acquisition costs was also registered, linked to the improvement in underwriting results.
At 31 December 2013, the Company registered a very favourable combined ratio (direct business) of 88.4%, compared to 94.1% in 2012.

Premium income from Life insurance business grew at a steady pace and totalled to euro 2,179 million at the end of the financial year (+10.6% compared to 2012). The increase registered was driven by downward movements in market interest rates that rendered investment in life products with guaranteed minimum returns more attractive and also by a recovery in the number of policies sold by Unipol Banca's branch network.

In terms of financial management, 2013 was marked by financial markets' renewed confidence in our country, notwithstanding government instability and structural difficulties, such as shrinking of the economy and high debt that are still to be resolved.

Sales structures

As at 31 December 2013, the agency network was constituted by 1,412 agencies, in which 2,325 agents operate, and 3,599 sub agency sales points.
As concerns intermediaries apart from agents, the Company makes use of 13,672 entities, that include all categories.
Unipol Assicurazioni offers Life products through Unipol Banca's bank branches and through Simgest's and Credit Suisse Italy's networks of financial advisors.

During 2013, the focus of the Distribution department was on improving both the sales performance of the agency network in the Company's most profitable areas, as well as on optimising its geographical presence. Actions to strengthen profitability, have also been put in place.

Non-Life business has suffered the effects of increased competition in the insurance market throughout 2013, especially in the motor line of business that has become increasingly significant. As from 2013, the Company has put into place various measures aimed, on the one hand at widening service offers to customers, and on the other hand, aimed at pushing direct sales through a major advertising campaign. The first positive effects of actions taken are evident both on New Business, as well on the consistent slowing down in the reduction in MV TPL policies.

During 2013, the technical recovery plan, almost exhausted the action of portfolio rationalisation aimed at maintaining profitability in the Motor TPL's agencies, thanks to a general improvement of the market and of the results obtained. The business, which began in 2011 and continued throughout 2012, has involved 466 sub agency positions and will pursue only in respect of some agencies that do not have the quality standards of professionalism required.
In order to improve the presence in the country, 114 restructuring processes were carried out on the agency network during 2013, of which 73 were mergers through the transfer of portfolios, 41 were replacements of the agent, 58 were purely changes to the administrative agencies and 2 were liberalisations.

The 'Agency Models' project has been strengthened through the finalisation of Three-year Plans. The new Plans will be effective as from 1 January 2014 and will result in 222 agencies with Three-year Plans in place. Meanwhile, the 164 agencies that are involved in the previous three-year development plans, continue to get extraordinary support.
In fact, these agencies' performance resulted to be positive in generating new Life business, both Annuities and Single Premiums, with increases in the volume of contracts of 47.4% and 80.3% respectively.

The agencies that are involved in the project RVA ("Responsabili Vita di Agenzia", Life agencies officers) registered most growth in generating new business, when compared to the rest of the agency network.
In the course of 2013, the "Budget Unico Vita" (Single Life budget) model, that represents the search for the development of a joint sales initiative between insurance agencies and bank branches, was launched. The collaboration has the common objective of producing new single premium Life business between the two distribution networks. It involved 153 sales points and very positive results were registered.

The newly formed "large" distribution channel (GDO), confirms the growth in Life premiums, which in 2013 registered an increase in new business of 45.6% over the previous year (+55.2% annual and recurring premiums and 44.1% individual Single premiums) and a notable performance in the banking sector with more than euro 5 million of loans to households.

Training to the agency network

256 courses (including 202 distance courses) have been organised specifically for agents and their staff, in which 32,972 participants took part. Such courses ended with a final test that most participants passed successfully.

Claims structures

During 2013, the Claims Department has continued to develop projects aimed at to improving efficiency of the claims management and settlement processes and to strengthen customer service arrangements and relationships with the agency network.
With regards to the settlement processes, measures taken out involved the following issues:

Injury claims

In order to further avail itself of the benefits achieved in 2012 and the first half of 2013 from the application of Law 27 of 24 March 2012, and that are expected to be yet achieved from as early as the second half of 2013, an investment was made in the process for the development of the CPM ("Centro di Prenotazione Medica", centre for medical reservations).
This is a service that was already offered to Fondiaria-SAI Group (now UnipolSai) customers and it was considered appropriate to extend it to Unipol Assicurazioni Group's customers in order to facilitate the direct contact of the injured person with the claims network, hence avoiding unnecessary and costly intermediation.
Monitoring of adherence to claims settlement policies has continued in the second half of the year as well as training on underwriting/claims issues, especially in relation to bodily injuries of significant monetary value.

Damage claims

In relation to damage claims, Management's activities were addressed to achieve more efficient supervision of all activities related to vehicle repairs, and more timely provision of services to customers. To this end, the main projects developed are:

- "Auto Presto e Bene"
  The Auto Presto e Bene model for repairs continues to spread. It involves the purchase and logistics management of spare parts used in repairs, resulting in pronounced economic benefits associated with such centralised management. In particular, the possibility to direct customers both towards the existing vehicle repairers' network trusted by Unipol, as well as to the network of Auto Presto e Bene vehicle repairers, was introduced. The Auto Presto e Bene service has covered nine regions, in the six months June-December, with savings on repair costs amounting to about 10%.

- Centro Servizi Unipol (Unipol service centre)
  As from 6 December 2013, the Centro Servizi Unipol started operating only for the Bologna area. Its objective is to be the sole reference for customers from the moment a claim is opened, up to the repair of the vehicle.

This service also has the objective of monitoring average costs through timely estimations of damage costs, which are then passed on to the vehicle repairers selected for the repairs. At the end of the above experimental phase, the possibility of extending this model to other cities will be assessed.

- Myglass
  On 6 December 2013 the first Myglass centre was opened, a network that specialises in the replacement and repair of cars' glasswork and trucks insured by the Group.
  The Myglass project is a new initiative by which the direct management of the entire claims process relating to car glasswork insurance has the objective of significantly improving the level of service offered to policyholders. Customers that use this network will not be made to pay any charges, as services will be carried out in a specified manner that entails that the Company will pay all charges. At the end of 31 December 2013, a total of seven Myglass centres were open; the service will be extended to the whole country in the first half of 2014.
  Economic benefits are expected in the form of a reduction in average costs of repair, in view if the fact that the current car glasswork market is almost entirely concentrated in a single network.

As concerns claims management processes, areas that have been subject to actions are those related to combatting fraud in insurance (IVASS Database), and to the claims reserving process. In particular:

- IVASS Database
  The process was subject to review with the objective of defining in detail activities in combatting insurance fraud. Users were provided with analytical tools to be used in obtaining information of the IVASS database and applicable rules that should be followed for proper management of procedures have been published (on 6 August 2013).

  These rules define, among other things, the investigative actions to be taken in case of significant parameters, consistent with the controls and implementing actions that were introduced in the Sertel application. This allows more timely monitoring of anti-fraud actions, as well as facilitating ex-post controls on the effectiveness of such actions.

- Reserving process
  The ongoing reserving process has been redefined and integrated within the New Claims System, that will start operating in 2014, with the objective of obtaining more timely and precise of the reserves for the various damage estimates. In particular, specific functionalities have been included which are aimed at monitoring updating of reserves upon the occurrence of defined events (to cite a few practical examples, upon receipt of the experts' reports or a writ of summons, the loss adjustor will be required by the system to update the reserved amount). A timely and transparent process to reserve for creditor balances on claims falling under the CARD regime, has also been developed. Furthermore, top-level system controls have been improved by ensuring that the direct responsible Officer intervenes in cases where the loss adjustor is not collaborating or where the estimated reserved amount is above the latter's authority limit. In this way, risks associated with untimely updates of reserves at the year-end and with inconsistent amounts being reserved, were minimised.

- New Claims System
  In the second half of 2013, testing and validation activities on the project related to the new claims system were finalised with the aim of enabling the roll out of the new system to Unipol's claims settlement network, as from the early months of 2014. To date, the project is aligned with plans and will conclude with a massive Roll Out (from June to October) that will be carried out in a progressive manner with predefined time intervals of about three weeks.

Merger with Premafin/Fondiaria-Sai

The deed of merger by incorporation of Unipol Assicurazioni SpA ("Unipol Assicurazioni"), Milano Assicurazioni SpA ("Milano Assicurazioni") e Premafin HP SpA ("Premafin", jointly, "the Merged") into Fondiaria-SAI SpA ("Fondiaria-SAI" or the "Incorporating Company"), that as a result of the merger changed its name to UnipolSai Assicurazioni SpA or UnipolSai SpA, was signed on 31 December 2013.

The deed of merger was signed upon completion of the corporate business combination as well as upon the Parent Company Unipol Assicurazioni simultaneous subscribing to and paying for an increase in Unipol Assicurazioni's share capital totalling euro 600 million, that had been approved by the Extraordinary Shareholders' Meeting of Unipol Assicurazioni dated 8 August 2013. The merger became legally effective on 6 January 2014, upon registration of the relevant deed with the competent offices of the Companies' Registrar, which took place on 2 January 2014. For accounting and tax purposes, the effective date is deemed to be 1st January 2014.

On the Effective Date, all shares of the Merged companies were cancelled and exchanged for shares in the Incorporating company, that proceeded:

- To assign all the Incorporating Company's shares held by the Merged companies through distribution of the same shares through exchange, without the shares ever resulting to have been acquired by the Incorporating Company as own shares, and
- In relation to the excess amounts, to increase its share capital by euro 782,960,791.85, through the issue of 1,330,340,830 new ordinary shares and 55,430,334 new class "B" savings shares, all without par value and with distribution rights, to be allocated to shareholders of Unipol Assicurazioni, Milano Assicurazioni and Premafin, on the basis of the exchange ratios below:
  - 0.050 ordinary share in the Incorporating Company for each Premafin ordinary share;
  - 1.497 ordinary share in the Incorporating Company for each Unipol Assicurazioni ordinary share;
  - 0.339 ordinary share in the Incorporating Company for each Milano Assicurazioni ordinary share;
  - 0.549 class "B" savings share in the Incorporating Company for each Milano Assicurazioni savings share.

None of the shareholders holding Milano Assicurazioni savings shares exercised the right to pursuant to Article 2437 paragraph 1(g) of the Italian Civil Code.
On the contrary, the right to withdraw was legally exercised by the ordinary shareholders of Premafin, in relation to 13,975,294 Premafin ordinary shares, equivalent to 0.6495% of Premafin's share capital, for a total disbursement of euro 2,441,483.86.

As from the Effective Date, the statutory changes related to the merger became effective and UnipolSai's fully issued and paid share capital now amounts to euro 1,977,533,765.65, which is made up of 2,250,906,752 ordinary shares and 1,276,836 class "A" savings shares and 377,193,155 class "B" savings shares, all without par value.
Shares of the Merged Companies Milano Assicurazioni and Premafin were delisted as from 6 January 2014.
As from 6 January 2014, the new ordinary shares and class "B" savings shares were listed on the "Mercato Telematico Azionario" that is organised and managed by Borsa Italiana SpA (the Italian stock exchange), similar to the ordinary shares and class "B" savings shares of the Incorporating Company that were already in issue at the time of the new issues.

Based on the approved exchange ratios, the share ownership of UnipolSai is as follows (on the Effective Date):

	% Ordinary share	% share capital savings A	% share capital savings B	% total share capital
Unipol (direct and indirect shares)	63,00%		67,75% *	63,66%
Ex Premafin	0,85%			0,73%
Ex Fondiaria-SAI	25,46%	100,00%	21,51%	24,92%
Ex Milano Assicurazioni	10,69%		10,74%	10,69%
Total	100,00%	100,00%	32,25%	100,00%

(*) share transferred on 27 November 2013 to Unipol Finance, 100% owned by Unipol Gruppo Finanziario

Key milestones of the Merger by incorporation project

One is to emphasise that the merger is considered to be a critical part of the larger project of integration of the Unipol Group and the Premafin/Fondiaria-SAI Group, as well as of Unipol Group's strategic goals that contemplate the establishment of a leading, reputable insurer that is in a position to compete effectively with the main national and European insurance players, whilst maximising value for the shareholders of the companies involved. The project that is based on a strong business rationale is summarised in the following pillars:

– an opportunity to increase UnipolSai Group's and Unipol Group's market leadership, enhancing historic brands in the insurance market;
– strengthening of UnipolSai Group's and Unipol Group's capital standing;
– restructuring of Fondiaria-SAI's insurance business in the Non-life business segment;
– use of Unipol Group's vast experience in insurance turnaround transactions and the shown integration ability;
– simplified corporate and business operations, attained through optimisation of structures and processes (centralised purchasing, supplier base, single comprehensive agents' agreement) and, possibly the rationalisation of current investment programmes;
– the complementary nature of expertise in the Health, Pensions and Direct channel sectors;
– an opportunity to strengthen Unipol Group's leading position in innovation.

The following is a summary of the key milestones in the Merger by incorporation project:

– on 29 January 2012, Unipol and Premafin reached an agreement in relation to a "Business combination plan" involving the two insurance groups. The plan provided for the acquisition by Unipol of the controlling interest in Premafin and the subsequent merger of Unipol Assicurazioni, Premafin and possibly Milano Assicurazioni into Fondiaria-SAI (the "Companies Involved in the Merger");

– in May, June and July 2012 Unipol obtained: (i) from competent authorities (AGCM, IVASS, Banca d'Italia, Autorità di vigilanza estere) the exemptions and authorisations necessary in obtaining direct control of Premafin, and consequently the indirect of Fondiaria-SAI and of Milano Assicurazioni; and (ii) from Consob the exemption from the launch of the public offer that is required pursuant to and by effect of Article106, paragraph 5 of TUF (consolidated law on finance) and Articles 45 and 49 of Consob Regulation 11971 of 14 May 1999, as subsequently amended (Issuers' Regulation);

– on 19 July 2012, Unipol subscribed to and fully paid for 1,741,239,877 Premafin ordinary shares – issued upon the Share Capital Increase of Premafin, approved by the Extraordinary Shareholders' Meeting of Premafin dated 12 June 2012 – and as a result, Unipol acquired direct control of Premafin and consequently indirect control of Fondiaria-SAI and Milano Assicurazioni;

– on 13 September 2012, the Share Capital Increase of Fondiaria-SAI was carried out – as approved by the Extraordinary Shareholders' Meeting of Fondiaria-SAI of 27 June 2012 – with the full subscription of a total of 916,895,448 Fondiaria-SAI ordinary shares and of 321,762,672 class "B" Fondiaria-SAI savings shares, offered in options to Fondiaria-SAI shareholders;

- on 14 November 2012, Unipol commenced management and coordination activities in accordance with Article 2497 et seq of the Civil Code in relation to Premafin, Fondiaria-SAI and Milano Assicurazioni;
- on 20 December 2012, (i) the Boards of Directors of the Companies Involved in the Merger approved – upon the favourable opinion expressed by their respective Independent Directors' Committees – the Merger Plan and supporting documentation, and (ii) Unipol's Board of Directors approved the financial terms of the Merger and opined favourably on Unipol's and its shareholders' interests in the implementation of the Transaction, as well as on the suitability and overall accuracy of the conditions underlying the said transaction;
- on 27 December 2012, Unipol and each of the Companies Involved in the Merger published an information document in relation to major transactions with related parties, as supplemented with an addendum dated 10 January 2013, that had been drawn up on Consob's request pursuant to Article114, paragraph 5 of TUF, and prepared in accordance with and by effect of Article 5 of the Related Party Transactions Regulation, since the Merger qualified as major transaction with related parties in terms of the afore-mentioned Regulation;
- on 28 January 2013, the Companies Involved in the Merger filed the Merger Plan at their respective head offices and on their respective websites;
- on 25 July 2013, IVASS with decision number 51-13-000148 authorised the Merger, pursuant to and by effect of Article 201 et seq of Legislative Decree 209 of 2005 (Codice delle Assicurazioni Private, private insurance code) and Article 23 et seq of IVASS Ruling 14 of 2008 on mergers. It confirmed that the required conditions for the mentioned decision existed, both under the scenario that Milano Assicurazioni would, or would not, participate in the Merger, after having taken into consideration sound and prudent management, availability of assets to cover technical provisions and the Solvency Margin of the Company Resulting from the Merger;
- in the first 10 days of August 2013, the Companies Involved in the Merger filed the Merger Plan with the competent Companies' Registers; with the respective registrations thereof taking place on 6 August 2013 for Milano Assicurazioni and 7 August 2013 for all the other Companies Involved in the Merger;
- on 23 September 2013, Reconta Ernst & Young as common expert, appointed by Court of Torino with its decision of 7 December 2012, issued its report on the appropriateness of the Exchange Ratios, prepared in accordance with and by effect of Article 2501-*sexies* of the Civil Code;
- on 24 September 2013, the Companies Involved in the Merger published the Notices of the Extraordinary Shareholders' meeting and the Special Meeting of Milano Assicurazioni, and as concerns Premafin and Milano Assicurazioni, at the same time disclosed the disbursement value of shares that might be subject to withdrawal pursuant to and by effect of Article 2437-ter, paragraph 5 of the Civil Code;
- On 24 September 2013, the Companies Involved in the Merger filed the documents referred to in Article 2501-septies of the Civil Code at their respective registered offices;
- On 9 October 2013, the Companies Involved in the Merger and Unipol published the Information Document on the Merger, drawn up in accordance with Article 70, paragraph 6, of the Issuers' Regulation;
- On 22 October 2013, the Companies Involved in the Merger and Unipol published the Supplement to Information Document on the Merger, published upon Consob's request pursuant to Article 114, paragraph 5 of TUF;
- The Merger was approved by resolutions made at the following shareholders' meetings of the Companies Involved in the Merger and, more specifically, by the Extraordinary Shareholders' Meetings of Fondiaria-SAI, Premafin and Unipol Assicurazioni that were held on 25 October 2013, by the Extraordinary Shareholders' Meeting of Milano Assicurazioni on 26 October 2013, and also by the Special Meeting of Milano Assicurazioni dated 28 October 2013, that within its remit approved the above mentioned resolution of the extraordinary shareholders' meeting of the same Company. As from the registration of the abovementioned meetings' resolutions with the competent Companies' Registers, that took place on

31 October 2013 and was disclosed to the public on the same date, the fifteen-day period for the exercise of the right to withdraw by those legally entitled to it, and of the sixty-day period stipulated by Article 2503 of the Civil Code for creditors to oppose the Merger, started running;

– on 24 December 2013, Consob issued its equivalence decision in accordance with Article 57, paragraph 1(d) of the Issuers' Regulation, on the updated information document (the "Updated Information Document") in relation to the Merger for the purpose of admission to listing on the Mercato Telematico Azionario of ordinary shares and class "B" savings shares to be issued as part of the merger. The document repeats and supplements the information already included in the information document drawn pursuant to and by effect of Article 70, paragraph 6, of the Issuers' Regulation;

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

1. BASIS OF PRESENTATION

The consolidated financial statements of Unipol Assicurazioni have been drawn up in accordance with ISVAP Regulation 7 of 13 July 2007 as subsequently amended and are also in accordance with IAS/IFRS issued by the IASB as adopted by the EU, along with the related interpretations issued by IFRIC. In accordance with the provisions of EC Regulation 1606/2002 in force at the end of the financial year.

The consolidated financial statements comprise:

– statement of financial position;
– income statement and statement of comprehensive income;
– statement of changes in equity;
– statement of cash flows;
– notes to the financial statements;
– appendices to the Notes to the financial statements.

The layout conforms to the provisions of Part III of ISVAP Ruling 7 of 13 July 2007, as amended, relating to the layout of the consolidated financial statements of insurance and reinsurance companies that must adopt IFRS. The information required by CONSOB Communications DEM/6064293 of 28 July 2006 and DEM/11070007 of 5 August 2011 is also provided.

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

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

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

The Consolidated Financial Statements as at 31 December 2013 of Unipol Assicurazioni S.p.A., have been audited by PricewaterhouseCoopers SpA (PwC).

Scope of consolidation

The companies that are within the scope of the consolidation as at 31/12/2013 are listed in the annexes to the Notes to the Accounts, in the Scope of consolidation and in the Details of non-consolidated investments schedules.
With respect to 31/12/2012 there were no variations in the scope of consolidation.

The capital transaction carried out during 2013 that had no impact on the scope of consolidation is in relation the increase in Unifimm's share capital by Unipol Assicurazioni amounting to euro 29 million.

Accounting reference date

The consolidated financial statements have an accounting reference date of 31 December, which is Unipol Assicurazioni's, the parent company, end of reporting period. All the consolidated entities have the same accounting reference date, with the exception of the associate Pegaso Finanziaria SpA, which has an accounting reference date of 30 June and for which use was made of interim financial statements drawn up to the date of the consolidated financial statements.

Basis of consolidation

Companies consolidated on a line-by-line basis

The line-by-line consolidation method requires full consolidation, from the date that control is acquired, of assets, liabilities, income and expenses of consolidated subsidiaries together with the elimination of the carrying amount of the investment against a corresponding amount of the equity of each individual subsidiary and, in the case of investments not wholly owned, the separate recognition of the amount of the equity and the profit or loss for the year attributable to non-controlling interests.

The amount of equity attributable to non-controlling interests is recognised within equity as "Share capital and reserves attributable to non-controlling interests", whilst the respective amount of the consolidated profit or loss is presented as "Profit (loss) for the year attributable to non-controlling interests".
Subsidiary companies are fully consolidated, except for insignificant companies for which the equity method is adopted.

Goodwill

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

Changes in ownership interest in a subsidiary that do not lead to loss of control are recognised as equity transactions. Any difference between the acquired or disposed proportion of the subsidiary's equity and the fair value of the consideration paid or received is recognised directly in equity and allocated to the members of the holding company.

Proportionately consolidated entities

At 31/12/2013 there are no jointly controlled entities.

Companies measured using the equity method of accounting

Associated companies in which shareholding is from 20% to 50%, are valued according to the equity method (IAS 28) or maintained at book value.
Under the equity method of accounting, the carrying amount of the investment is adjusted to reflect the corresponding portion of movements in equity, including the profit/loss for the year and all the adjustments necessary when consolidation is on a line-by-line basis. Any difference between the portion of equity acquired and the fair value of the consideration paid (goodwill) is recognised within the carrying amount of the investment.

Elimination of intercompany transactions

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

Segment reporting

Segment reporting is based on the major types of business in which the Unipol Group, that controls the Unipol Assicurazioni Group, operates:

– Non-life insurance

– Life insurance

– Real estate

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

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

The information by segment is drawn up by separately consolidating the accounting data for the individual subsidiaries and associates belonging to each of the segments identified and by eliminating intra-group balances between companies belonging to the same segment and offsetting, where applicable, the value of the investments against the corresponding portion of shareholders' equity.

The column "Intersegment eliminations", presents the elimination of intragroup balances and transactions between companies belonging to different segments, with the following exceptions:

- investments in companies belonging to different business segments: elimination of the investment is effected in the investor's business segment whilst resulting differences on consolidation are attributed to the investee's segment;

- dividends received: elimination is effected in the business segment of the company receiving the dividends;

- realised gains and losses: elimination is carried out directly in the business segment of the company where the gains or losses are realised.

2. ACCOUNTING POLICIES

New accounting policies

IFRS 13 – Fair value measurement

The IASB published IFRS 13 “Fair value measurement” on 12 May 2011. IFRS 13:

– defines fair value;

– sets out in a single IFRS a framework for measuring fair value; and

– requires disclosures about fair value measurements.

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

Assets and liabilities measured at fair value are classified for accounting presentation purposes according to a fair value hierarchy into 3 levels:

– 1 – quoted prices in active markets for identical financial instruments;

– 2 – inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (for example prices quoted for similar instruments in active markets) or indirectly (i.e. derived from prices);

– 3 – inputs related to the asset or liability that are not based on market observable data.

The new standard was adopted by Commission Regulation (EU) No 1255 of 11 December 2012, and is effective for financial periods commencing on 1 January 2013.

IAS 1 – Presentation of financial statements

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

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

The Commission Regulation (EU) No 1256 of 13 December 2012, published in the Official Journal of the European Union no. L 360 of 29 December 2012, gave effect to amendments to IFRS 7 that require the provision of more precise information on set off rights and related agreements (for example guarantees). The disclosure relates, in particular, to the effect of offsetting arrangements on the entity's financial position. The new disclosures are required for all financial instruments subject to offsetting in accordance with IAS 32 “Financial instruments: Presentation”, as well as for financial instruments that are subject to master netting arrangements or similar agreements, regardless of whether they are set off in accordance with IAS 32.

New accounting standards that are not yet effective

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

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

On 12 May 2011 the IASB published the following standards:

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

Under IFRS 10, an investor has control over another company when it simultaneously has:

- decision-making power to direct the “relevant activities” (which affect the economic returns);
- exposure or rights to variable returns from its involvement with the investee;
- has the ability to affect those returns through its power over the investee.

IFRS 11 defines a joint venture as an arrangement of which two or more parties have joint control.
It distinguishes between joint operations and joint ventures:

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

The objective of IFRS 12 is to require an entity to disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities;
- the effects of those interests on its financial position, financial performance and cash flows.

The objective of IAS 27 “Separate financial statements” (revised) is to require an entity to disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities;
- the effects of those interests on its financial position, financial performance and cash flows.

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

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

IAS 32 – Financial instruments: Presentation

The Commission Regulation (EU) No 1256 of 13 December 2012, published in the Official Journal of the European Union no. L 360 of 29 December 2012, gave effect to amendments to IAS 32 in respect of the requirements necessary to effect set offs between financial assets and liabilities. The amendments will become effective from 1 January 2014.

The principle accounting policies and criteria applied in the preparation of the consolidated financial statements, are set out below.

Paragraph numbers reflect the line item numbers in the Statement of financial position and the Income Statement prescribed by ISVAP Ruling 7 of 2007.

Statement of financial position

Assets

1 Intangible assets - IAS 38

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

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

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

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

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

2 Property, plant and equipment - IAS 16 and 17

This item includes property used for corporate business, plant, other machinery and equipment.

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

Where the necessary criteria are met, consolidated real estate companies include, within the carrying amount, the borrowing costs incurred on loans specifically obtained for acquiring and renovating property, if this can be justified.

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

Assets that suffer impairment losses are impaired. The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the acquisition date fair value.
Finance leases relating to movable property (company cars, IT equipment and miscellaneous equipment) are recognised in accordance with the provisions of IAS 17 under which, in the case of finance lease agreements, the cost of the leased items is recognised as property, plant and equipment, whereas the principal and end-of-lease purchase payments are recognised as financial liabilities.

3 Reinsurers' share of technical provisions – IFRS 4

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

4 Investments

4.1 Investment property - IAS 40

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

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

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

The value of property acquired through business combinations is recalculated based on the current value at the acquisition date.

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

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

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

IAS 39 provides that debt and equity instruments, receivables, payables and derivatives must be classified according to the purposes for which they are held. The following categories are available:

- Held-to-maturity financial assets;
- Loans and receivables;
- Available-for-sale financial assets;
- Financial assets at fair value through profit or loss.

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

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

4.3 Investments held-to-maturity

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

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

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

4.4 Loans and receivables

Receivables in this category consist of contractual amounts for which the Group holds a right to the cash flows arising from the agreement. They are characterised by fixed or determinable payments and are not quoted in an active market.
This category also includes loans and mortgages, reinsurers' deposits receivable, loan repurchase agreements, term deposits exceeding 15 days, receivables for net balances due from agents and unlisted debt securities that the Group does not intend to sell but intends to hold for the foreseeable future.

In accordance with the provisions of IAS 39, loans and receivables are initially recognised at their fair value, which corresponds to the amount granted including the transaction costs and directly related commissions and fees. Subsequent to initial recognition, receivables are measured at amortised cost, which is represented by the initial carrying amount net of repayments, plus or minus amortisation of any difference between the initial amount and the maturity amount, and less any impairment loss or reduction due to irrecoverability. Amortisation is calculated using the effective interest method.
The application of the effective interest method enables the financial effect of a loan transaction to be spread evenly, using financial formulae, over its expected life. In fact, the effective interest rate is the rate that exactly discounts all the future cash flows of the loan to a present value that corresponds to the amount granted including all transaction costs and income pertaining to it. The cash flows and the contractual term of a loan are estimated by taking into account all the contractual terms that can affect the amounts and the maturity dates (for instance, prepayment options and the various other options that may be exercised) but not the expected losses on the loan. Subsequent to initial recognition, the loan’s amortised cost is determined throughout the loan’s term by continuing to apply the original effective interest rate as determined at initial recognition. This original effective interest rate does not vary over time and is also used in the event of any contractual amendments to the interest rate or events which result in the loan becoming non-interest bearing (for instance, due to insolvency proceedings).

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

Loans are assessed, at each financial statement or interim financial statement reporting date, in order to identify those for which there is objective evidence of impairment owing to events that have occurred after the loans were initially recognised. The value adjustments are recognised in the income statement.

The original value of the loans is reinstated in subsequent years only in the event that the reasons that led to the impairment in question no longer exist. Impairment losses can be reversed up to the extent that the

financial asset's carrying amount does not exceed the carrying amount that it would have had if the amortised cost had been applied without any prior impairment.
Transferred receivables are derecognised only if substantially all risks and rewards pertaining to receivables are also transferred. If this is not the case, the receivables continue to be recognised in the statement of financial position even though their ownership has been legally transferred.
The presumption is that substantially all the risks and rewards are transferred if the assignment involves transferring at least 90% of them. On the other hand, the presumption is that substantially all the risks and rewards are retained if the assignment involves transferring no more than 10% of them.
If, as a result of a transfer, substantially all risks and rewards are neither transferred nor retained (in which case the Group retains more than 10% but less than 90% of the risks/rewards), the receivables are derecognised provided the Group retains no control over them. Otherwise, where some control over the transferred receivables is retained, the receivables continue to be recognised in the financial statements to the extent of the continuing involvement.

4.5 Available-for-sale financial assets

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

Information on how the fair value is determined is given under "Criteria for fair value measurement – IFRS 13" below.

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

This category includes debt instruments, equity instruments and units in UCITS funds, investments deemed to be of strategic importance (less than 20% of the share capital, of commercial or company strategic importance).

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

Impairment policy for financial assets adopted by the Unipol Assicurazioni Group

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

The Group has defined a significant reduction in the market prices of equity instruments classified as Available for sale financial assets (AfS) as a 50% reduction compared to the initial book value and defined as prolonged the reduction of the market prices below the initial book value when it exceeds 36 months.

Therefore, the impairment test is carried out on equity instruments that have met at least one of the following criteria:

a) for a 36 month period, the market price was consistently lower than the initial book value;

b) diminution in value as at reporting date is more than 50% of the initial book value.

Further, securities falling under the above-mentioned criteria are deemed to be impaired and the related accumulated movement in fair value is reclassified to profit or loss through the zeroing of the Available for sale gains and losses reserve.

In respect of debt securities, the Group Finance Department, immediately refers to the Risk Management Department for their assessment of any required write-downs, as a result of default or a delay in the payment of a dividend or repayment of capital, which is confirmed by the custodian.

4.6 Financial assets at fair value through profit or loss

Investments in this category are recognised at fair value and the differences (positive or negative) between fair value and carrying amount are recognised in profit or loss.
Information on how the fair value is determined is given in the “Criteria for fair value measurement – IFRS 13” below.

There are two subheadings:

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

Derivatives

Derivatives are initially recognised at the purchase price, which represents fair value, and are subsequently measured at fair value. For details on fair value measurement refer to the section “Fair value measurement – IFRS 13”.

Derivatives may be acquired for “trading” or “hedging” purposes. In the case of hedging transactions IAS 39 contains administratively onerous and complex rules through the drawing up of specific hedge accounting documentation to verify the effectiveness of the hedge from its commencement, and throughout its entire term.
As at 31/12/2013 there were open derivative contracts for the hedging of both fair value changes (fair value hedges) as well as variability in cash flows (cash flow hedges).

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

Reclassifications of financial assets

In the event that an available-for-sale financial asset is transferred to held-to-maturity investments, the fair value recognised at the date of transfer becomes its new cost or amortised cost. Any previous gains or losses that had been recognised directly in equity are amortised through profit or loss over the remaining term of the held-to-maturity investment using the effective interest method.

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

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

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

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

In the case of a financial asset reclassified from “Available-for-sale”, previous gains or losses recognised directly in equity must be amortised through profit or loss over the asset’s remaining term using the effective interest method.

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

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

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

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

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

Insofar as disclosed above, investments in notes issued by SPVs are accounted for in accordance with IAS 39, with the same criteria applied as for investments in debt securities, structured and unstructured. Particular regard is given to the presence of embedded derivatives and to the assessment of possible separation of the derivatives.
In fact, in accordance with SIC 12, an entity should consolidate a SPV only in cases where the entity exercises control over the vehicle in accordance with paragraph 13 of IAS 27, i.e. the entity receives most of the rewards and bears most of the risks associated with the activities carried out by the SPV.
With respect to securities issued by SPVs and held by Unipol Assicurazioni Group as at 31/12/2013, the Group does not exercise any form of control over the SPVs in that it is not able to govern the management process of the SPV (which is in fact determined by the arranger of the investment transaction, in which the Group only participates through subscription to the notes and to other relevant contracts). Also, the Group does not receive any benefits from the SPVs that are not strictly related to the financial instrument invested in. The Group holds the notes issued by the vehicle and only has the power to dispose of those notes, not having the power to dispose of the financial instruments held by the vehicle. It follows from these considerations that the Group does not have any form of control over the SPVs as per the provisions of paragraph 13 of IAS 27.
As at 31/12/2013, there was only one SPV within the Group's portfolio of securities issued by SPVs, in which the Group has subscribed to notes to such an extent that the Group had the majority of the risks/benefits associated with the SPV's activities. In all other cases, in fact, the Group did not enjoy the majority of the risks/benefits related to the SPVs' activities and consequently the control indicators established by SIC 12 are not satisfied.

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

5 Other Receivables

Other receivables are recognised at their nominal amount and subsequently assessed at their estimated realisable value.
The item other receivables includes receivables due within twelve months, in particular Receivables arising out of direct insurance business, Receivables arising out of reinsurance operations and Other receivables, such as trade receivables and tax receivables.

6 Other assets

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

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

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

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

6.2 Deferred acquisition costs

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

6.3 Deferred tax assets – IAS 12

This item includes deferred tax assets based on the deductible temporary differences between the carrying amounts and the tax base of the assets and liabilities of the individual consolidated companies, and on the consolidation adjustments. If there are any tax losses, deferred tax assets are recognised to the extent that there is a probability that there will be future taxable income against which they can be utilised.
Deferred tax assets are measured using the tax rates that have been enacted by the end of the reporting period or are expected to apply when the tax liability is settled, and are based on information available at the end of reporting period.

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

6.4 Current tax assets – IAS 12

This item includes assets relating to current taxation.

6.5 Other assets

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

7 Cash and cash equivalents – IAS 7

Cash and cash equivalents include cash on hand, cash held at bank available on demand and term deposits for periods not exceeding 15 days.

Liabilities

1 Equity – IAS 32

1.1.1 Share capital

This item includes the parent company's share capital.

1.1.3 Capital reserves

This item includes the share premium reserve and other capital reserves of the company, that effect the consolidation. It also includes the costs directly attributable to the issuing of equity instruments, net of tax, and any commission income, net of tax, received for the sale of option rights not exercised by shareholders.

1.1.4 Retained earnings and other reserves

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

1.1.5 Own shares

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

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

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

1.1.8 Other gains or losses recognised directly in equity

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

2 Provisions – IAS 37

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

3 Technical provisions – IFRS 4

Classification of insurance contracts

According to IFRS 4 insurance contracts are contracts that transfer significant insurance risk. Such contracts may also transfer financial risks.

An insurance risk is significant if, and only if, there is a reasonable possibility that the occurrence of an insured event will cause a significant change in the present value of the insurer's net cash flows.
Investment contracts are contracts that transfer financial risks with no significant insurance risk.
Some insurance and investment contracts may include discretionary participation features.

All the policies in the Non-Life portfolio were classified as insurance contracts.

The principal criteria used for classifying Life products as insurance contracts are as follows:

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

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

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

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

- index-linked, where capital in the event of death corresponds to the value of the linked asset plus a non-significant percentage;
- unit-linked, where capital in the event of death corresponds to the NAV plus a non-significant percentage;
- endowment, with fixed guaranteed capital and no underwriting risk;
- capital redemption, with fixed guaranteed capital and no underwriting risk;
- pension funds with guaranteed benefits upon maturity or upon the occurrence of predefined events.

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

Non-life business technical provisions

Premiums provision

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

Ageing provision

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

Claims provision

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

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

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

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

Life business technical provisions

The amounts recognised are calculated in accordance with the provisions of Article 36 of Legislative Decree 209 of 7/9/2005 (the Insurance Code) and ISVAP Ruling 21 of 28/3/2008.

Mathematical provision

The mathematical provision on direct assurance contracts is calculated analytically on a contract by contract basis on the basis of pure premiums, without deducting policy acquisition costs, and by reference to actuarial assumptions (investment income, demographic assumptions for death or disability) that are established at the time the contracts are issued to calculate premiums.
The mathematical provision includes only the portion of pure premiums that is relative to premiums recognised during the year. It also includes all the revaluations made under the terms of the policy and is never less than the policy's surrender value.
In accordance with the provisions of Article 38 of Legislative Decree 173/1997, technical provisions, that are set up to cover liabilities arising from investment or index linked insurance policies where the investment risk is borne by the policyholder, and arising from pension fund management, are calculated by reference to commitments made under such policies and to the provisions of Article 41 of Legislative Decree 209 of 7/9/2005. In the case of index-linked policies in particular the mathematical provision is calculated on the basis of the price of the underlying securities, whilst in the case of unit-linked policies the mathematical provision is calculated by multiplying the number of units by the price of the relevant funds on the date that they are calculated.
As concerns Pension Funds, and particularly, those policies that offer a guaranteed minimum return on contributions upon maturity or retirement, death or disability, the mathematical provision is increased by a further provision to cover the risk of including the value of the underlying assets. This additional provision is calculated as the difference between future guaranteed minimum values and future estimated values of the underlying assets during the guaranteed period. Amounts are determined using stochastic methods and are discounted as at the date of calculation.
The mathematical provision is calculated on policies in force at the reporting date analytically for each individual contract and takes into account contracts' start dates and all the obligations assumed under the policies.
As laid down in Article 36, paragraph 3, of Legislative Decree 209 of 7 September 2005, the provision for payable amounts includes the total amounts required to cover payment of benefits that are due but outstanding, surrenders and outstanding claims.
The provision for bonuses and rebates was set up to cover the Company's commitment to allocate to certain term policies technical profits for the year on the individual contracts, upon death and/or disability.
Other technical provisions consist almost entirely of provisions set aside for operating expenses and are calculated on the basis of the provisions of Articles 31 and 34 of ISVAP Ruling 21 of 28/3/2008.

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

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

Additional provisions

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

Provision for expenses

In the case of policies where premium payments are over a period shorter than the term of insurance (single premium, low annual premium, reduced) a provision is set aside for expenses that is calculated on the basis of estimated future management expenses.
In the case of index-linked, the provision for management expenses has been set up as the difference between net premium value and the initial value of the policy less the initial marketing cost incurred by the company. This amount, which remains valid throughout the life of the contract, has been set aside for the remaining term of each individual contract.

Additional provisions for temporary mismatching (Article 37 of ISVAP Ruling 21)

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

Additional provision for financial risks (Articles 47 and 48 of ISVAP Ruling 21)

The mathematical provision is supplemented by an item held as a hedge against possible discrepancies between the expected investment returns on managed funds backing technical provisions, and the obligations to policyholder in the form of financial guarantees and adjustments to benefits provided under the contracts.

In addition, the liability adequacy test was carried out in accordance with IFRS 4 to ensure the adequacy of the technical reserves in meeting the present value of future contractual cash flows related to insurance contracts.
The test involves projection of future cash flows taking into account the following:

– guaranteed benefits analysed by type of guarantee, projected on the basis of contractual terms;
– characteristics of in-force policies such as premium recurrence, contract maturity, policyholder mortality and propensity to surrender;
– investment income, portfolio management and claims handling expenses.

Provision for shadow accounting

The shadow accounting technique set out in IFRS 4 enables unrealised losses and/or gains on underlying assets to be recognised in technical provisions for insurance or investment contracts with DPF, as if they had been realised. This adjustment is taken to the income statement or recognised directly in equity depending on whether the valuation differences on the assets are recognised in equity or in the income statement.
Net losses are only recognised in the provision for deferred financial liabilities attributable to policyholders only if the guaranteed minimum has been reached, otherwise the company continues to bear the losses in full. Losses are quantified using a financial prospective method in line with Chapter I of ISVAP Regulation 21 dated 28/3/2008.
The application of shadow accounting enables value mismatches between technical provisions and assets backing them to be mitigated and is therefore considered to be more representative of the economic substance of the transactions in question.

4 Financial liabilities - IAS 39

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

4.1 Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subdivided into two further sub-items:

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

4.2 Other financial liabilities at amortised cost

This item includes reinsurers' deposits, debt securities issued, amounts owed to banks and banking customers, other loans and liabilities in relation to life investment contracts with no significant insurance risk and without DPF (certain types of products that are linked to specific assets).

5 Payables

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

Payables are recognised at their nominal amount.

Employee benefits – IAS 19

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

One is to note that the Unipol Assicurazioni Group has already adopted at 31/12/2012, the amendments to IAS 19, EU Regulation 475 of 2012. As from 31/12/2012, actuarial gains or losses relating to the obligations arising from defined benefit plans are recognised as a component of other comprehensive income.
The discounting of future cash flows is carried out on a basis determined by reference to market yields on high quality corporate bonds as at the end of the reporting period.

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

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

6 Other liabilities

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

Please see above for the corresponding asset item.

6.2 Deferred tax liabilities – IAS 12

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

6.3 Current tax liabilities

This item includes current Tax payables.

6.4 Other liabilities

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

Income Statement

1 Revenue and income

1.1 Net premiums

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

1.2 Fee and commission income

The item includes commission income for financial services provided. Included in this item are commission income from banking activities, and fees accrued for the year on life insurance contracts classified as financial liabilities. In the case of unit-linked policies, in particular, the upfront fees relating to asset management services provided, have been recognised and deferred over the term of the asset management contract.

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

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

1.4 Income from investments in subsidiaries, associates and joint ventures

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

1.5 Income from other financial instruments and investment property

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

1.6 Other income

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

2 Costs and expenses

2.1 Net insurance claims

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

2.2 Fee and commission expense

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

2.3 Losses on investments in subsidiaries, associates and joint ventures

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

2.4 Charges from other financial instruments and property

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

2.5 Management expenses

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

2.6 Other costs

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

3 Tax on results for the year

In their capacity as consolidated companies, and in accordance with Article 117 et seq. of Presidential Decree 917/86 and Ministerial Decree of 9 June 2004, Unipol Assicurazioni and the other subsidiaries that fulfil the requirements have opted for the system of consolidated Group taxation (in respect of IRES) for the 2013 tax year. The indirect parent for taxation purposes is Finsoe. The companies listed above have signed an agreement with this company regulating the economic, financial and procedural aspects governing the option in question.

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

Taxation also includes deferred tax assets and liabilities, which are calculated on the basis of the temporary differences between accounting and tax balances (that have arisen or been deducted during the year), and on consolidation adjustments. If there are any tax losses, prior to the period covered by the tax consolidations deferred tax assets are recognised to the extent that there is a probability that there will be future taxable (IRES) income against which they can be utilised.

Foreign currency transactions – IAS 21

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

Earnings per share – IAS 33

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

Use of estimates

The application of certain accounting standards necessarily involves a significant element of judgement based on estimates and assumptions that are uncertain at the time of their formulation.
The assumptions made in the financial statements for the year ended 2013 are deemed to be appropriate and, consequently, the financial statements are prepared with clarity and they present a true and fair view of the financial position and the results for the year.
In making reliable estimates and assumptions, reference is made to past experience and other factors which, based on all available information, are considered to be relevant to the present estimate. However, one cannot exclude that variations in these estimates and assumptions might have a significant financial effect on the financial position and results as well as, to the extent of changes in the judgements currently being made, on potential assets and liabilities reported in the financial statements.

The estimates mainly relate to:

- Life and Non-life technical provisions;
- assets and liabilities measured at fair value (in particular in respect of financial instruments classified in levels 2 and 3);
- impairment tests carried out to identify losses on intangible assets (e.g. on goodwill) that are recognised in the financial statements;
- quantification of provisions and any provisions for employee benefits.

For further information on the methodologies applied in the determination of the above items and the main risk factors, refer to the paragraphs containing the description of measurement criteria.

Criteria for fair value measurement – IFRS 13

IFRS 13 provides guidance, where fair value is already required or permitted by other IFRSs, on how to measure the fair value of financial instruments and non-financial assets and liabilities. This standard:

a) defines fair value;

b) sets out in a single standard a framework for the measurement of fair value;

c) enhances disclosures in the financial statements.

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions (an exit price).
Fair value is a market-based measurement, not an entity-specific measurement; such that valuations must be determined on the basis of assumptions and valuation techniques generally used by market participants, including assumptions about risks specific to the asset or liability subject to the valuation. When a market price is not observable, an entity is required to measure fair value using a valuation technique that maximises the use of observable inputs and minimises the use of unobservable inputs.

IFRS 13 established a fair value hierarchy based on the degree of observability of the inputs contained in the valuation techniques used to determine the fair value.

IFRS 13 also addresses fair value measurement and the related disclosures for assets and liabilities, which are not measured at fair value on a recurring basis. For those assets and liabilities, fair value is measured for the purpose of fair value disclosures in the financial statements. It should also be noted that since these assets and liabilities are, with the sole exception of listed securities classified as Held to maturity investments, generally not subject to trading activity, the determination of their fair value is primarily based on the use of internal parameters, which are not directly observable in the market.

Fair value measurement principles

The following table shows the various fair value methodologies applied for the various categories of assets and liabilities.

	Mark to Market	Mark to Model and other
Bonds	Contributor "CBBT" Bloomberg Contributor form Scoring RM Model	Mark to Model Counterpart Valuation
Share	Listed	Unlisted
Investments	Listed	Unlisted
Derivatives	Listed	OTC
UCITS		Net Asset Value
Receivables		Mark to Model (receivables from bank customers) Carrying amounts (other receivables)
Property		Appraisal value

In accordance with IFRS 13, the fair value of financial instruments which are traded in liquid and active markets is considered to be their market price (Mark to Market).

"Liquid and active markets" refers to:

- the principal market in which the instrument subject to the valuation is exchanged and regularly quoted;
- the multilateral trading facility (MTF) in which the instrument subject to the valuation is exchanged and regularly quoted;
- quotes and transactions effected on a regular basis by an authorised intermediary (hereinafter "contributor").

Mark to Market Valuations

With reference to shares, listed equity investments, collective investment schemes and listed derivatives, the Mark to Market valuation corresponds to the relevant market's official quoted price.
With reference to debt securities, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:

a) the primary source is represented by the CBBT price provided by the data provider Bloomberg;

b) in the absence of the source referred to in point a), an internal scoring model, which is validated by the Risk Management function, is used to select the liquid and active contributors based on certain defined parameters. The parameters used are:

- number of prices available in the last 10 days of trading;
- price volatility;
- bid/ask spread;
- standard deviation of prices compared to the average of the other available contributors.

Mark to Model valuations

The Unipol Assicurazioni Group applies valuations techniques (Mark to Model) which are in line with the methods generally used in the market.

With reference to debt securities, in cases where, even on the basis of the results of the Scoring Model, it is not possible to value the instrument with a Mark to Market technique, the fair value is determined on the basis of Mark to Model valuation techniques.
The valuation of OTC derivatives involves the use of models which are consistent with the contract's underlying risk variable. The fair value of interest rate derivatives and inflation-linked derivatives is determined by using Mark to Model valuation methods which incorporate IFRS 13 rules.
For those derivatives that are subject to a collateralisation agreement (Credit Support Annex) between the Unipol Assicurazioni Group companies and the authorised market counterparties, the EONIA (Euro Overnight Index Average) interest rate curve is used.
In the case of non-collateralised derivatives, CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments are applied. It is noted that nearly all the open derivative positions as at 31 December 2013 relate to collaterised contracts for which CSA agreements are in place with the counterparties to the contracts.

The objective of fair valuation models is to determine a value for financial instruments that reflects the assumptions that market participants would make in the formulation of a price, assumptions which consider also the risk inherent in the valuation technique used and/or the inputs used.
In order to determine an appropriate Mark to Model valuation for each category of financial instrument, there needs to be in place a defined pricing model which is adequate and consistent with the reference market's inputs.
The table below summarises the main models used within the Unipol Assicurazioni Group for the Mark to Model valuations:

Interest rate securities and derivatives

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

Inflation-linked securities and derivatives

- Discounted cash flows;
- Jarrow-Yildirim.

Equities, indices, and exchange rate securities and derivatives

- Discounted cash flows;
- Black – Sholes.

Credit securities and derivatives

- Discounted cash flows;
- Hazard rate models.

The main observable market inputs used in the Mark to Model valuation techniques are as follows:

- interest rate curves for the reference currency;
- interest rate volatility analyses for the reference currency;

- CDS spread curves or asset swap spreads of the issuer;
- reference currency inflation curves;
- reference exchange rates;
- exchange rate volatility analyses;
- equity or index volatility analyses;
- reference equity prices;
- reference inflation curves.

The main non-observable market inputs used in the Mark to Model valuation techniques are as follows:

- correlation matrix between exchange risk factors;
- historical volatility;
- benchmark spread curves used for valuing debt instruments of issuers for which prices of debt securities issued or CDS curves are not available;
- credit risk inputs, such as the recovery rate;
- delinquency or default rates and prepayment curves for ABS financial instruments.

Unlisted shares and equity investments for which no market price, or report prepared by an independent expert, is available, the valuations are primarily carried out on the basis of: (i) typical valuation methodologies used, (ii) methods that consider the present value of future cash flows or income, such as Discounted Cash Flows (DCF) or a Dividend Discount Model (DDM) to calculate the "excess capital", (iii) where applicable, methods based on market multiples.

In relation to unquoted collective investment schemes, Private Equity funds and Hedge Funds, fair value is determined to be the Net Asset Value which is provided by the fund administrators as at the date of the financial statements.
The fair value of loans to banking clients is calculated through a Mark to Model valuation which uses the Discounted Cash Flow method with a discount rate that is adjusted for counterparty and execution risk. For other receivables, the nominal amount is used.

The fair value on real estate is calculated according to the appraised value determined by independent valuers in accordance with the provisions of the current legislation.

Counterparty valuation

Financial assets and liabilities that are not marked to market, and for which there is no validated valuation model which is consistent with the requirements for the determination of fair value, are valued based on prices provided by the counterparty.

Distinction in the measurement of the fair value of structured debt instruments and structured SPV debt instruments

Debt instruments that incorporate a derivative contract which affects the cash flows generated by the host contract are considered to be structured debt instruments. The valuation of structured debt securities requires the separation and separate valuation of the host contract and the embedded derivatives.

The valuation of structured debt instruments involves the use of models which are consistent with the separated basic components (host contract and embedded derivatives) and the underlying risk of the contract itself.

In relation to structured debt instruments, the valuation of the basic components follows the criteria set out above for the determination of fair value which requires the use of a Mark to Market technique if available or a Mark to Model technique or a counterparty price in cases where a Mark to Market price is not available.
Debt obligations issued by a Special Purpose Vehicle guaranteed by collateral and whose cash flows are generated from an interest rate swap contract between the vehicle and the swap counterparty (usually the arranger of the transaction), are considered to be structured SPV debt instruments. The valuation of structured SPV debt instruments requires the separation and separate valuation of the following elements:

- collateralised debt instruments issued by the vehicle;
- interest rate swap contracts between the vehicle and the arranger;
- any other optional components or CDS contracts included within the vehicle.

The valuation of structured SPV debt instruments' collateral follows the criteria set out above for the determination of fair value which requires the use of a Mark to Market technique if available or a Mark to Model technique or a counterparty price in cases where a Mark to Market price is not available.
The valuation of the interest rate swap contract entails the discounting of future cash flows based on different discounting rate curves that reflect the existence or otherwise of a collaterisation agreement (Credit Support Annex) between the vehicle and the swap counterparty. In particular if the derivative contract is collaterised by marketable securities included within the SPV's assets, the future cash flows from the interest rate swap contract are discounted using the EONIA discount curve, whereas in cases where there is no collaterisation agreement, the discount factor is adjusted to reflect the credit rating of the swap counterparty.

Criteria for the fair value hierarchy determination

Assets and liabilities measured at fair value are classified on the basis of the hierarchy defined by IFRS 13. This classification establishes a fair value hierarchy based on the degree of discretion used, giving priority to the use of market observable inputs which are used to reproduce the assumptions that market participants would use to price the assets and liabilities.

The classification is based on the technique used to determine fair value (Mark to Market, Mark to Model, Counterparty) and, in the case of Mark to Model techniques, on the basis of the observability of the inputs used.

- Level 1: this category includes assets and liabilities valued on a Mark to Market basis using the CBBT pricing source as well as prices from contributors which present minimum requisites to guarantee that such prices are executable on active markets;
- Level 2: this category includes assets and liabilities valued on a Mark to Market basis but are not classified in the previous level, as well as those assets whose fair value is determined by the use of a pricing model which is consistent with observable inputs on the market;
- Level 3: this category includes assets and liabilities for which the variability in the estimates used in the pricing model could have a significant effect due to the complexity of the payoff or, in the case where a consistent and validated model is available, the necessary inputs to the valuation are unobservable. Also included in this category are the structured debt securities which do not satisfy the defined requisites in the scoring test (see "Mark to Market Valuations" paragraph) and for which a Mark to Model valuation is not possible. Loans and investment property are also included in this category.

Recurring fair value measurements

Valuation process for recurring fair value measurements

The valuation of financial instruments is an activity which helps with the monitoring of risk, management of the assets and liabilities and the preparation of the financial statements.
Recurring fair value measurements of financial instruments is divided into various phases and is carried out in accordance with the principles of separation, independence and responsibility of the functions, in a parallel and autonomous manner by the Finance Function and the Risk Management Function of the Unipol Gruppo Finanziario on the bases of valuation criteria which are defined in the prior paragraph.
Following, the independent valuations of financial assets and liabilities carried out by the two Functions involved in the pricing process, a check is performed on significant deviations; with significant deviations defined as those in excess of 3% of the absolute value.. In case of deviations which are above 3%, an analysis is performed of the differences noted and following comparisons, the price to be used in the financial statements is determined.

Recurring fair value measurements using unobservable inputs (Level 3)
A conservative approach is followed in the classification of financial assets and liabilities in Level 3; the following types of financial instruments are principally included in this category:

- unlisted equity securities, or investments for which a market price or a report prepared by an independent expert is not available, for which the valuations are determined using the methods mentioned above;
- units in unlisted private equity funds, hedge funds and collective investment schemes for which no information is available relating to securities held in their portfolios and which as such could include financial instruments measured using a Mark to Model technique that uses unobservable inputs;
- debt securities valued on a Mark to Model technique that uses unobservable inputs (correlations, benchmark spread curves, recovery rate);
- debt securities valued using a counterparty price based on a Mark to Model technique that uses unobservable inputs;
- ABS-type debt securities for which no valuation is available on a Mark to Market basis;
- derivative instruments valued using a Mark to Model technique that uses unobservable inputs (correlations, volatility, dividend estimates);
- debt securities that do not meet the defined requirements in the scoring test (see paragraph "Mark to Market Valuations") and for which a Mark to Model valuation is not possible.

Non-recurring fair value measurements

As required by IFRS 13, fair value measurements are also determined for assets and liabilities which are not measured at fair value on a recurring basis. Since these assets and liabilities are generally not subject to trading activity, the determination of their fair value is primarily based on the use of internal parameters which are not directly observable in the market. This category mainly includes the following type of instruments:

- issued debt securities valued at Mark to Market (Level 1);
- issued debt securities and loans valued using Mark to Model techniques that use unobservable inputs (benchmark spread curves) (level 3);
- short-term debt with a maturity which is less than 18 months and deposit certificates which are valued at amortised cost (level 3);
- loans given to banking customers which are valued according to the following principles (level 3):
  - loans with a term of more than 18 months (MLT loans) valued using a discounted cash flows Mark to Model technique for the principal and interest components. For MLT loans, the discount rate used is based on the risk free rate plus a risk premium specific to the transaction based on the Probability of

Default (PD) and Loss Given Default (LGD) parameters. These parameters are derived from the application of Credacri Credit Rating System (CRS) and have been estimated on a consultative basis. The cumulative PD is calculated through the application of the Markov process to transition matrices of a year, whilst the LGD is considered to be constant throughout the period;
  - impaired loans measured at amortised cost net of analytical write-downs;
  - short-term loans of less than 18 months which are valued at amortised cost;
- other receivables valued at book value (Level 3);
- investment property which is valued on the basis of the appraised value determined by independent architects and in accordance with the provisions of current legislation. The rationale behind mandate custody provides for a non-exclusive assignment of assets and rotation in the allocation of experts, usually after 3 years.

Alternative performance ratios	classes	31/12/2013	31/12/2012
Loss ratio - direct business (comprehensive of OTI ratio)	Non-Life	61,9%	70,8%
Expense ratio - direct business	Non-Life	26,8%	24,7%
Combined ratio - direct business (comprehensive of OTI ratio)	Non-Life	88,7%	95,5%
Loss ratio - gross of reinsurance	Non-Life	63,4%	70,0%
Expense ratio - gross of reinsurance	Non-Life	27,1%	24,7%
Combined ratio - gross of reinsurance	Non-Life	90,4%	94,7%
Premiums retention	Non-Life	95,4%	96,8%
Premiums retention	Life	99,6%	99,5%
Premiums retention	total	97,0%	97,7%
APE Group pro-rata (Values in Millions of Euro)	Life	246	221
Expense ratio - direct business	Life	3,4%	3,7%
Expense ratio - direct and inward business	Life	3,4%	3,7%
Expense ratio - gross of reinsurance	Life	3,4%	3,7%

Other performance indicators

Such indicators are not prescribed by international accounting standards, but are in practice generally accepted and commonly used as financial and economic indicators within the industry.

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

OTI (Other technical items) ratio: the ratio of the sum of other technical income/charges and the movement in other technical reserves to net premiums. As from financial year 2013, the OTI ratio is included within the loss ratio (previous year's ratios have been restated accordingly).

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

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

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

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

3. NOTES TO THE STATEMENT OF FINANCIAL POSITION

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

ASSETS

1. Intangible Assets

Values in Millions of Euro	31/12/2013	31/12/2012	*change*
Goodwill	306,7	306,7	*0,0*
resulting from business combination	306,7	306,7	*0,0*
from other	0,0	0,0	*0,0*
Other intangible assets	64,9	45,5	*19,3*
VoBA	0,0	0,0	*0,0*
software and user licenses	61,1	42,6	*18,5*
other intangible assets	3,8	3,0	*0,8*
Total intangible assets	371,6	352,3	*19,3*

1.1 Goodwill

On 31/12/2013 this item amounted to euro 306.7 million, unchanged over 31/12/2012, and is entirely constituted by goodwill arising on business combinations upon the merger of Winterthur into Aurora Assicurazioni, which in turn merged into Unipol Assicurazioni on the tax and accounting effective date of 1 January 2009.

Goodwill with an indefinite useful life, as recognised in the financial statements, has been subjected to an impairment test in accordance with the procedure specifically approved by the Board of Directors of the controlling company UGF, and has not suffered impairment losses. Refer to paragraph 5.10 of Chapter 5 of this document, “Other information”, and for information on the criteria used for the tests.

1.2 Other intangible assets

On 31/12/2013, this item, amounting to euro 64.9 million (euro 45.5 million at 31/12/2012), comprises the cost of software, licences, consultancy and customisation of software.
The increase is mainly attributable to two projects that are currently in the process of being implemented, namely the new claims system and the integration of Unipol and Fonsai’s “Area Contabile” (accounting system), following the acquisition of Fondiaria–Sai Group (now UnipolSai).

2. Property, plant and equipment

Owner-occupied property

Values in Millions of Euro	Gross carrying amount	Accumulated depreciation and impairment losses	Net carrying amount
Balance at 31/12/2012	412,6	-44,5	368,1
Increases	12,0		12,0
Decreases	-46,6		-46,6
Depreciation for the period		-12,0	-12,0
Other changes		0,3	0,3
Balance at 31/12/2013	378,1	-56,2	321,9

Other property, plant and equipment

Values in Millions of Euro	Office furniture and machinery	Movables entered in public registers	Plant and equipment	Total
Balance at 31/12/2012	157,0	1,6	34,3	192,9
Increases	10,4	0,0	2,9	13,3
Decreases	-38,6	-1,5	-5,6	-45,7
Balance at 31/12/2013	128,8	0,1	31,6	160,5
Accumulated depreciation at 31/12/2012	133,1	0,6	31,4	165,0
Increases	6,0	0,0	1,1	7,1
Decreases	-37,8	-0,4	-5,6	-43,8
Accumulated depreciation at 31/12/2013	101,3	0,1	26,9	128,3
Net amount at 31/12/2012	23,9	1,1	2,9	27,9
Net amount at 31/12/2013	27,6	0,0	4,7	32,2

Property, plant and equipment, net of depreciation, amounted to euro 354.1 million as at 31 December 2013 (euro 396 million at 31/12/2012), of which euro 321.9 million was owner-occupied property (euro 368.1 million at 31/12/2012) and euro 32.2 million was other property, plant and equipment (euro 27.9 million at 31/12/2012).
The decrease in Owner-occupied property includes euro 16.2 million of impairments made on the basis of updated valuation made by independent experts and euro 30.4 million of reclassifications to Investment Property.

3. Reinsurers' share of technical provisions

As at 31/12/2013, this item amounted to euro 305.8 million, compared to euro 365.2 million in 2012.
The balance represents a significant drop when compared to the previous year that had been heavily impacted by the Emilia earthquake events, and as of today reflect the development in reinsurance arrangements.

4. Investments

As at 31/12/2013, total investments (investment property, equity investments and Financial Assets) amounted to euro 21,874.6 million (euro 20,365 million in 31/12/2012).

4.1 Investment property

Values in Millions of Euro	*Gross carrying amount*	*Accumulated depreciation and impairment losses*	*Net carrying amount*
Balance at 31/12/2012	703,9	-83,5	620,4
Increases	74,1		74,1
Decreases	-15,4		-15,4
Transfers from other categories			0,0
Depreciation for the period		-14,2	-14,2
Other changes		0,0	0,0
Balance at 31/12/2013	762,6	-97,7	664,9

The decrease includes euro 3.4 million of impairments made on the basis of updated valuations made by independent experts and euro 12 million of reclassification to Owner-occupied property.
The market value of investment property that was determined on the basis of valuations commissioned to third party experts amounted to euro 687.2 million at 31/12/2013.

4.2 Investments in subsidiaries, associates and joint ventures

Investments are detailed in the Annex to these Notes to the financial statements “Details of non-consolidated investments".

As at 31/12/2013 investments in subsidiaries, associates and interests in joint ventures amounted to euro 245.7 million (euro 333.5 million at 31/12/2012).
The decrease over 31/12/2012 is attributable to the investment in Unipol Banca, as a result of the losses for the period. One is to note that in relation to this investment, on 6 January 2014, upon the Merger becoming legally effective, the put/call agreement entered into with the parent Unipol Gruppo Finanziario, that was provided for in the exchange of key Merger information, became effective. The agreement stipulates that UGF grants UnipolSai a put option on the investment held in Unipol Banca S.p.A., equivalent to 32.26% of the latter’s share capital, which can be exercised at the end of the fifth year following the legally effective date of the Merger, at a price equal to the carrying value of the said investment in UnipolSAI’s statutory financial statements (and therefore amounting to approximately euro 299.4 million). This was corresponded by a call option granted by UnipolSAI to UGF on the above-mentioned investment at the same price, but granting UGF the possibility of exercising the option throughout the period from the legally effective date of the Merger and the end of the fifth year following the same date. The accounting effects of the above options on the valuation of the investment in Unipol Banca will therefore be shown in financial year 2014, consistent with the legally effective date of the Merger.

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

Values in Millions of Euro	31/12/2013	*mix %*	*Fair Value at 31/12/2013*	31/12/2012	*mix %*	*change %*
Investments held to maturity	1.488,1	*8,3*	*1.548,7*	1.754,3	*10,6*	*-15,2*
Listed debt securities	1.098,9			1.098,5		*0,0*
Unlisted debt securities	389,2			655,9		*-40,7*
Loans and receivables	3.979,7	*22,1*	*3.200,2*	4.456,6	*26,9*	*-10,7*
Unlisted debt securities	3.462,3			3.939,1		*-12,1*
Deposits with ceding companies	16,3			15,4		*6,1*
Other loans and receivables	501,1			502,1		*-0,2*
Available-for-sale financial assets	12.247,8	*68,0*	*12.247,8*	9.986,6	*60,3*	*22,6*
Equity instruments at cost	51,6			33,4		*54,2*
Listed equity instruments at fair value	556,4			642,7		*-13,4*
Unlisted equity instruments at fair value	60,8			228,4		*-73,4*
Listed debt securities	10.422,8			7.806,4		*33,5*
Unlisted debt securities	1.005,9			1.111,1		*-9,5*
UCITS	150,4			164,5		*-8,6*
Financial assets held for trading	287,2	*1,6*	*287,2*	353,4	*2,1*	*-18,7*
Listed equity instruments at fair value	0,0			10,2		
Listed debt securities	86,0			137,8		*-37,6*
Unlisted debt securities	72,4			93,7		*-22,8*
UCITS	60,5			77,2		*-21,7*
Derivatives	54,6			34,4		*58,8*
Total financial assets	18.002,8	*100,0*	*12.535,1*	16.550,9	*100,0*	*8,8*

At 31/12/2013, the fair value of Held-to-maturity investments amounted to euro 1,548.7 million and the fair value of loans and receivables totalled to euro 3,200.2 million.

Financial assets analysed by class of investment

Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Equity instruments	682.5	*3.8*	914.7	*5.5*	*-25.4*
Debt securities	16,537.4	*91.9*	14,842.6	*89.7*	*11.4*
UCITS	210.8	*1.2*	241.8	*1.5*	*-12.8*
Other financial assets	572.0	*3.2*	551.8	*3.3*	*3.7*
Loans and receivables from bank customers	0.0	*0.0*	0.0	*0.0*	*0.0*
Interbank loans and receivables	0.0	*0.0*	0.0	*0.0*	*0.0*
Total financial assets	18,002.8	*100.0*	16.550.9	*100.0*	*8.8*

Financial assets at fair value through profit or loss

Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Financial assets designated at fair value through profit or loss	2.961,2	*100,0*	2.860,2	*100,0*	*3,5*
Listed equity instruments at fair value	42,1	*1,4*	39,4	*1,4*	*6,7*
Listed debt securities	2.655,3	*89,7*	2.499,8	*87,4*	*6,2*
Unlisted debt securities	15,1	*0,5*	69,9	*2,4*	*-78,4*
UCITS	201,8	*6,8*	168,7	*5,9*	*19,6*
Derivatives	0,0	*0,0*	0,0	*0,0*	*0,0*
Other financial assets	46,9	*1,6*	82,3	*2,9*	*-43,0*

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

5. Other receivables

Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Receivables arising out of direct insurance operations	719,2	*59,2*	705,5	*58,1*	*1,9*
Receivables arising out of reinsurance operations	40,6	*3,3*	42,6	*3,5*	*-4,6*
Other receivables	454,6	*37,4*	465,3	*38,3*	*-2,3*
Total other receivables	1.214,5	*100,0*	1.213,4	*100,0*	*0,1*

Other receivables at 31/12/2013 include tax receivables amounting to euro 210.7 million, amounts due from Mutuelle Du Mans, in which the parent company Unipol Assicurazioni became involved following the integration of Navale Assicurazioni business unit amounting to euro 53.2 million, receivables for advances on derivative contracts of euro 144.2 million and amounts due from Finsoe, the parent for fiscal purposes, amounting to euro 7.9 million. The receivable from the parent for fiscal purposes, Finsoe, net of the liabilities due of euro 116.6 million, amounted to euro 108.7 million.

6. Other assets

Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Deferred acquisition costs	14,0	*3,4*	14,7	*2,9*	*-4,5*
Deferred tax assets	277,3	*68,2*	388,1	*76,8*	*-28,6*
Current tax assets	0,0	*0,0*	0,0	*0,0*	*0,0*
Other assets	115,3	*28,4*	102,3	*20,3*	*12,7*
Total other assets	406,6	*100,0*	505,1	*100,0*	*-19,5*

An analysis of the components comprising the deferred tax assets are given in the note on income tax.

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

7. Cash and cash equivalents

Cash and cash equivalents as at 31/12/2013 amounted to euro 1,022.3 million (euro 576.3 million at 31/12/2012).
The increase is mainly attributable to the increase in Unipol Assicurazioni's share capital carried out by the Parent Unipol Gruppo Finanziario on 31 December 2013 for a total of euro 600 million, as approved by the shareholders' meeting on 8 August 2013. Excluding this transactions liquidity decreased mainly due to the payment of dividends amounting to euro 150 million that was made by Unipol Assicurazioni to its parent on 30 April 2013.

LIABILITIES

1. Equity

Values in Millions of Euro	31/12/2013	31/12/2012	*change*
Share capital	859,1	259,1	*600,0*
Capital reserves	805,9	805,9	*0,0*
Retained earnings and other reserves	1.073,1	985,8	*87,3*
(Own shares)	0,0	0,0	*0,0*
Gains or losses on available-for-sale financial assets	-68,5	-327,6	*259,0*
Other gains or losses recognized directly in equity	-35,2	-58,2	*23,0*
Profit (loss) for the period/year	227,4	244,8	*-17,3*
Total equity attributable to the owners of the Parent	2.861,8	1.909,8	*952,0*

At 31/12/2013, the share capital of the parent company Unipol Assicurazioni totalled euro 859.1 million, was fully paid, and was constituted of 859,056,000 ordinary shares with a nominal value of euro 1 each.
As at 31/12/2013 the shareholders' equity, including the result for the period, amounted to euro 2,861.8 million (euro 1,909.8 million at 31/12/2012). The main movements relate to:

- an increase of euro 600 million arising on the simultaneous subscription and payment, by Parent Company Unipol of the share capital increase approved by the Extraordinary Shareholders' Meeting of Unipol Assicurazioni held on 8 August 2013, as provided for in the Merger Plan;
- an increase of euro 259 million due to positive movements in the reserve for gains and losses for available for sale financial assets, which moved from losses of euro 327.6 million at 31/12/2012 to losses of euro 68.5 million as at 31/12/2013;
- an increase of euro 227.4 million related to the Group's profit at 31/12/2013;
- an increase of euro 23 million in the Other gains or losses reserve recognised directly in equity;
- decrease of euro 150 million related to distribution of dividends.

Amongst others, Retained earnings and other reserves includes differences arising between the carrying amount of investments in subsidiaries and the corresponding proportion of equity of the consolidated companies, after allocations to these companies' assets and to goodwill. This item also includes the consolidation adjustments required by the parent company's accounting policies and those made as a result of the elimination of intra-group dividends.

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

Own shares

During 2013, Unipol Assicurazioni did not effect any purchase or sale transactions of own shares during 2013.

On 12 September 2013, Unipol Assicurazioni, (as approved by the shareholders' meeting of 8 August 2013, in relation to the acquisition, within an 18-month period, of parent company's shares up to a maximum of 180,000 Unipol ordinary shares and for a maximum cost of euro 5 million), acquired, on the regulated market, 175,000 ordinary shares of the parent company Unipol, (equivalent to approximately 0.04% of Unipol's ordinary share capital), at an average cost of euro 2.9479 per share amounting to a total cost of euro 516 thousand.
Through the above-mentioned transaction, Unipol Assicurazioni completed the plan, which had been approved by its shareholders in a general meeting held on 26 April 2012, for acquisition of parent company shares to

service share-based compensation plans in the form of performance shares, intended for Senior Executive of the Company.
Such shares were accordingly held at the financial year end.

2. Provisions

Provisions amount to euro 143.9 million as at 31/12/2013 (euro 67.1 million at 31/12/2012) and mainly consisted of provisions for litigation, disputes with agencies and other charges relating to the sales network, IVASS sanctions, provision for remuneration and staff termination incentives.
In particular, provisions of euro 72.3 million have been set aside during the financial year in relation to the "Piano di Accesso al Fondo di Solidarietà" (subscription to solidarity funds).

Contingent liabilities

Dealings with Inland Revenue

Unipol Assicurazioni

Following tax investigations conducted in 2010, the "Direzione Regionale Grandi Contribuenti Lombardia" (major taxpayers' office of Lombardy's regional directorate), initiated proceedings against Aurora Assicurazioni S.p.A., and subsequently delivered the relevant Ires, Irap and Iva assessment notices in relation to the 2005 and 2006 tax years. For both the years, the main finding related to the accounting and tax treatment of reinsurers' share of the "riserva integrativa premi per calamità naturali" (additional reserve on natural catastrophe premiums). The tax investigations were subsequently extended to the 2007 and 2008 tax years, always in relation to the accounting and tax treatment of the abovementioned reserve.

Due to the extraordinary transactions in which Aurora Assicurazioni S.p.A. was involved and the latter's subsequent merger in Unipol Assicurazioni S.p.A., the investigations for which the Company is to be held responsible are part of the 2007 tax year and the entire 2008 tax year. The company contested through appeal the assessment notices and the dispute is currently awaiting first-instance judgement.

The provision of euro 6.5 million that has been accordingly set aside is considered to be adequate even if an investigation, of the same nature, had to happen in relation to the 2009 year.

In addition, Iva notice assessments have been delivered by the Direzione Regionale Grandi Contribuenti dell'Agenzia Entrate, (major taxpayers' office of inland revenue's regional directorate), of Emilia Romagna and Lombardia, in relation to coinsurance transactions carried out with other leading Companies in the industry. The relevant litigation has been initiated, but no provisions have been made in view of case law on the subject that has mainly found in favour of the defence argument put forward by the investigated insurance companies.

IVASS inspections

As a result of investigations carried out by IVASS in 2012 on the claims reserving process for the Motor vehicle and marine vessels classes of business at Unipol Assicurazioni, the Regulatory Authority, in its Notes dated 3 July 2012, 26 October 2012 and subsequent act ref. 0243/13/VIG2/4 dated 1 February 2013, claimed that the Company had not complied with the combined provisions of Article 37 of the Insurance Code and of Article 4, paragraph 3, Article 27, paragraph 2, and Article 31, paragraph 2 of the IVASS Regulation 16 of 4 March 2008, since the MV TPL and marine claims reserves in the 2011 financial statements were not valued in accordance with the ultimate cost principle. Such breach is subject to administrative fines ranging from a minimum of euro 5,000 to a maximum of euro 50,000.

More specifically, in relation to such investigations, the Regulatory Authority (i) at first, in its note of 3 July 2012, had noted a deficiency of reserves of around euro 210 million, for Motor and marine reserves with an estimated cost lower than euro 100,000, and also certain critical issues, that had not been quantified, in relation to claim reserves with an estimated cost higher than euro 100,000, that could not be valued by actuarial methodologies due to the small number of claims, and (ii) then, in its note of 26 October 2012, given that the exceptions, explanatory considerations as well as supporting documentation that were provided by the Company in response to the earlier note of 3 July 2012, had failed to answer the allegations made, considered it necessary for the Company to take into account of the Regulatory Authority's findings about claim reserving in drawing up its 2012 financial statements.

Unipol Assicurazioni, supported by the actuarial valuations of the appointed actuary on MV TPL and of the reviewing actuary, as well as by PricewaterhouseCoopers LLP that was appointed, as leading independent global advisor, to certify the appropriateness of the actuarial methodology and processes adopted by Unipol Assicurazioni in the valuation of the reserves being challenged, has objected to the methodology adopted by IVASS and the relative quantitative results, (expressed in terms of deficiency of reserves in the 2011 financial statements), that formed the basis of the Regulatory Authority's observations. The Company objected both during the investigations and when rebutting the abovementioned act of 1st February. It reasserted its argument, (i) that the issues raised by the Regulatory Authority were based on methodologies and/or models that contained certain weaknesses, and also on the use of partial data, and therefore (ii) that the Company's valuation of the contested reserves was based on proper application of prudent valuation methodologies and adequate consideration was made of the completeness, relevance and accuracy of statistical and accounting data in the use of statistical-actuarial methodologies that even in relation to the measurement of the ultimate cost of claims, result to be technically correct and appropriate. They are also, even due to Solvency II, aligned to latest developments in actuarial science.

The proceedings are still pending and therefore one cannot exclude the possibility that if at the end of the said proceedings, IVASS does not accept Unipol Assicurazioni's counterarguments, the latter will be liable to pay administrative fines, that could range from a minimum of euro 5,000 to a maximum of euro 50,000.

In relation to the above, consistent with policies adopted in recent years and with budget estimates, Unipol Assicurazioni increased its TPL claim reserves by euro 141 million in its 2012 financial statements, (approximately euro 164 million excluding reinsurance recoveries). Adjustments were made based on claim developments registered during the financial year and the results of actuarial models adopted, aligning claim reserves to the centre of the range of estimates calculated by the TPL actuary.

At the end of 2012, IVASS ordered an inspection at Unipol Assicurazioni that had as its scope, as part of claims reserving risk, the management of the claims cycle for the MV TPL class of business in the years 2011-2012. The investigations at the Company's functions were concluded during May 2013.

On 18 September 2013, IVASS then presented the Board of Directors of the Company its note of 17 September 2013, containing the results of the investigations. The note highlighted critical issues in the related to management operations within the MV TPL claims cycle that required corrective measures of an organisational and procedural nature, as well as changes to the relevant activities with the internal control system.

The Company will provide the Regulatory Authority with the required clarifications and explanations in relation to the abovementioned findings within the prescribed timeframe.

In this regard, one cannot exclude the possibility that IVASS, once the investigation is completed, might proceed to initiate sanction proceedings.

In addition, within the context of the investigations conducted as part of the authorisation of the merger, IVASS demanded, on 21 February 2013, that specific inspections be carried out at Unipol Assicurazioni, Fondiaria-

SAI and Milano Assicurazioni in order to enable a thorough assessment of the regulatory requirements applicable to the same transaction. The inspections were intended to assess, in relation to Unipol Assicurazioni, its compliance with legislation on assets used to cover technical provisions (ISVAP Regulation 36 of 2011) with specific reference to the procedures and monitoring controls adopted in assessing admissibility of investments used for such coverage.

On 24 April 2013, the above-mentioned inspections were extended to include the assessment of compliance with anti-money laundering legislation.

The inspections were finalised in June 2013 and on 19 September 2013 IVASS presented the Board of Directors with the outcome of the investigations and any findings made by the Regulatory Authority. The findings, that were reflected in the corrective measures that IVASS presented on issuance of the authorisation of the Merger on 25 July 2013, did not include any significant issues that warranted any sanctions against the company.

Autorità Garante della Concorrenza e del Mercato (the Italian competition authority)

In its ruling dated 14 November 2012, the Autorità Garante della Concorrenza e del Mercato ("AGCM") launched investigative proceedings ref. I/744 involving Unipol Assicurazioni S.p.A. and Fondiaria-SAI S.p.A., as well as Assicurazioni Generali S.p.A. and INA Assitalia S.p.A., in order to assess the existence of alleged breaches of Article 2 of Law 287 of 1990 and/or Article 101 of the Treaty on the Functioning of the European Union ("TFEU"). It was alleged that the companies coordinated in order to restrict competition between them when participating in tenders called by certain local public transport companies for the provision of MV TPL insurance services to cover vehicles used in providing the transport services.

Furthermore, in its ruling dated 5 June 2013, AGCM launched investigative proceedings ref. I/702 involving Unipol Gruppo Finanziario and Fondiaria-SAI S.p.A., as well as other leading insurance companies operating in Italy, to assess the existence of alleged breaches of Article 101 of the TFEU (prohibition of agreements that restrict competition), especially in relation to the prohibition of exclusivity conditions in agency agreements in the provision of insurance services in all non-life classes of business.
The investigation, that focused on the specific clauses included within the abovementioned agreements, considered appropriate in discouraging agents from entering into more than one mandates to sell insurance (so-called "plurimandato", independent agents), is expected to be completed by 30 June 2014.
Unipol Gruppo Finanziario, Unipol Assicurazioni and Fondiaria-SAI, believe that they have always acted in full compliance with law and fairly and have jointly appointed leading legal firms to defend their rights in both the ongoing AGCM proceedings.
Also in relation to the second proceeding, the companies have presented a detailed proposal of commitments (the "Commitments") to AGCM, the final version of which was submitted on 16 December 2013, in accordance with Article 14-ter of Law 287 of 1990. AGCM considered appropriate these Commitments and proceeded to published them on its website on 24 January 2014.
The process of assessing the Commitments, that includes submission of comments by third parties and subsequently the Companies' replies thereto, is expected to be completed by 24 April 2014 (subject to additional time that might be required in obtaining required opinions).

3. Technical provisions

Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Non-Life unearned premiums provisions	1.277,2	*20,4*	1.338,6	*20,5*	
Non-Life outstanding claims provisions	4.971,1	*79,5*	5.185,5	*79,4*	
Other Non-Life technical provisions	8,2	*0,1*	8,0	*0,1*	
Total Non-Life provisions	6.256,5	*100,0*	6.532,1	*100,0*	*-4,2*
Life mathematical provisions	10.845,7	*79,3*	10.054,2	*79,3*	
Life payables amounts provisions	117,9	*0,9*	144,7	*1,1*	
Technical provisions where the investment risk is borne by policyholers	2.716,6	*19,9*	2.625,1	*20,7*	
Other Life technical provisions	-9,8	*-0,1*	-149,7	*-1,2*	
Total Life provisions	13.670,3	*100,0*	12.674,2	*100,0*	*7,9*
Total technical provisions	19.926,8		19.206,3		*3,8*

Non-life technical provisions

At 31/12/2013, the non-life technical reserves amounted to euro 6,256.5 million (a decrease of euro 275.6 million compared to 31/12/2012) and have been created in accordance with the ISVAP Ruling 16 of 4 March 2008, prepared pursuant to Article 37, paragraph 1, of Legislative Decree 209/2005.

The claims reserve (direct and indirect) amounted to euro 4,971.1 million, a substantial decrease compared to euro 5,185.5 million at 31 December 2012.
The decline in claims reserves is due both to the decrease of claims made in the main branches (TPL, General TPL and Accident), and to the presence at 31 December 2012 of euro 100,000 thousand claims filed as a result of seismic events that have been largely settle during 2013.

Life business technical provisions

At 31/12/2013, the life business technical reserves amounted to euro 13,670.3 million (euro 12,674.2 million at 31/12/2012). The increase compared to last year amounted to euro 996.1 million.
The amount of technical reserves is sufficient to meet the obligations towards policyholders and beneficiaries.

4. Financial liabilities

Financial liabilities as at 31/12/2013 amounted to euro 1,813.8 million (euro 1,797.9 million as at 31/12/2012). Details thereof are set out in the relevant annex.

4.1 Financial liabilities at fair value through profit or loss

This item amounted to euro 608.4 million at 31/12/2013 (euro 686.8 million in 2012). It comprises financial liabilities held for trading that amounted to euro 361.1 million (euro 351.1 million in 2012) and financial liabilities designated at fair value through profit or loss that amount to euro 247.3 million (euro 221.7 million in 2012). The latter category includes investment contracts issued by insurance companies where the investment risk is borne by the policyholders and that do not contain any insurance risk that is borne by the Group (several types of Class III, Class V and Class VI contracts).

4.2 Other financial liabilities

Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Subordinated liabilities	960,1	*79,6*	964,1	*86,8*	*-0,4*
Liabilities from financial contracts issued by insurance companies	1,4	*0,1*	1,4	*0,1*	*4,2*
Deposits received from reinsurers	129,4	*10,7*	133,8	*12,0*	*-3,3*
Debt instruments issued	0,0	*0,0*	0,0	*0,0*	*0,0*
Payables to banking customers	0,0	*0,0*	0,0	*0,0*	*0,0*
Interbank payables	0,0	*0,0*	0,0	*0,0*	*0,0*
Other loans	6,5	*0,5*	6,5	*0,6*	*-0,1*
Other financial liabilities	107,9	*9,0*	5,2	*0,5*	*1955,8*
Total other financial liabilities	1.205,4	*100,0*	1.111,1	*100,0*	*8,5*

Subordinated loans, all issued by the parent company Unipol Assicurazioni, amounted to euro 960.1 million at 31 December 2013 (euro 964.1 million at 31/12/2012) and are detailed in the following table:

Issuer	Nominal Amount outstanding	subord. level	Year of maturity	call	rate	L/NL
Unipol Assicurazioni	300,0 millions	tier II	2021	every 3 months from 15/6/2011	euribor 3m + 250 b.p.	L
Unipol Assicurazioni	261,7 millions	tier II	2023	from 2013	fix 5,66% (*)	L
Unipol Assicurazioni	200,0 millions	tier I	perpetual	from 2018	euribor 6m + 250 b.p. (**)	NL
Unipol Assicurazioni	200,0 millions	tier I	perpetual	from 2018	euribor 6m + 250 b.p. (**)	NL

(*) from july 2013 variable rate euribor 3m + 250 b.p.

(**) from may 2018 the variable rate is equal to the euribor 6m + 350 b.p.

Interest rate hedge accounting is in place (maturity May 2018) through an IRS (6,355% floating rate for fixed rate)

The following are the main features of the subordinated liabilities at 31/12/2013, which are unchanged since the previous year;

- Euro 400,000 thousand - perpetual hybrid subordinated loan granted by Mediobanca - Banca di Credito Finanziario SpA in May 2008, with the option of early repayment from May 2018 and with a variable interest rate equal to the Euribor six-month rate increased by 250 basis points. In 2009, a contract was entered into to hedge interest rate risk that became effective from May 2010. The loan's characteristics are such that it can be used as part of the solvency margin up to 50% limit. Interest accrued for the financial year 2013 amounted to euro 11.4 million;
- Euro 300,000 thousand - subordinated loan issued by the parent company Unipol Gruppo Finanziario in June 2001 that Unipol Assicurazioni took over as issuer during 2009. The loan has a term of twenty years with an option of an early repayment every three months as from June 2011.

  The interest rate, which until 15 June 2012 stood at 7%, is 2.683% as at 31 December, equal to the three-month Euribor plus 250 basis points.
  The loan is listed on the Luxembourg Stock Exchange and its characteristics are such that can be used as part of the solvency margin up to a 25% limit. Interest accrued for the financial year 2013 amounted to euro 8.3 million;
- Euro 300,000 thousand - subordinated loan issued by the parent company Unipol Gruppo Finanziario in July 2003 that Unipol Assicurazioni took over as issuer during 2009. The loan has a term of twenty years with an option of an early repayment every three months as from July 2013, and interest rate of 5.66% up to 28 July 2013. As at 31 December 2013, the interest rate stands at 2.725% (three-month Euribor plus 250 basis points). The loan is listed on the Luxembourg Stock Exchange and its characteristics are such that it can be used as part of the solvency margin up to a 25% limit. Interest accrued for the financial year amounted to euro 11.6 million. Unipol Assicurazioni holds a nominal amount of euro 38,311 thousand of

the above-mentioned loan in circulation that was acquired from parent company Unipol Gruppo Finanziario at the end of 2009. Therefore the actual nominal amount of this loan totalled euro 261.7 million.

Other financial liabilities include an amount of euro 103.1 million related to a repurchase agreement financing transaction with counterparty Mediobanca, with a nominal value of euro 100,000,000, that was entered into on 18 December 2013 and expires on 2 January 2014, at an interest rate of 0.55%. The transaction relates to Italian Government debt securities assigned to the "free" assets of the Life insurance business that have not been used to cover technical provisions.

This operation was put in place to generate the necessary liquidity to meet its obligations arising from the Credit Support Annex ("CSA") in relation to the International Swaps and Derivatives Association (ISDA) agreements entered into with counterparties to mitigate the risk of open trades in derivatives. Also in view of the full implementation of the so-called EMIR legislation, the standard to which the market is converging is to adjust the collateral required by the CSA through cash positions. Therefore, repurchase agreement financing transactions involving short/medium term Italian Government debt securities have been effected in order to optimise the profitability of the funds allocated to the collateral.

5. Payables

	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Payables arising out of direct insurance operations	58,5	*15,0*	48,4	*13,3*	*20,7*
Payables arising out of reinsurance operations	23,2	*6,0*	13,3	*3,7*	*74,0*
Other payables	307,9	*79,0*	302,8	*83,1*	*1,7*
Policyholders' tax due	74,4	*19,1*	73,3	*20,1*	*1,5*
Other tax payables	10,9	*2,8*	11,0	*3,0*	*-0,4*
Trade payables	27,3	*7,0*	34,1	*9,4*	*-19,9*
Post-employment benefits	30,9	*7,9*	31,0	*8,5*	*-0,2*
Social securities changes payables	11,6	*3,0*	10,4	*2,9*	*11,5*
Other payables	152,7	*39,2*	143,0	*39,2*	*6,8*
Total payables	389,5	*100,0*	364,6	*100,0*	*6,9*

As at 31 December 2012, other payables amongst others include:

- euro 116.6 million due to the indirect parent company Finsoe for tax balances of the fiscal consolidation
- euro 10.8 million due to class D policyholders
- euro 5.6 million relating to agents' pension funds
- euro 3.9 million due to employees
- euro 3 million related to derivative contracts
- euro 2.9 million related to claims management.

6. Other liabilities

Values in Millions of Euro	31/12/2013	comp. %	31/12/2012	comp. %	var.%
Current tax liabilities	45,8	11,1	56,6	13,2	-19,0
Deferred tax liabilities	85,8	20,7	128,1	30,0	-33,0
Liabilities of a disposal group classified as held-for-sale	0,0	0,0	0,0	0,0	0,0
Commissions on premiums under collection	46,5	11,2	44,9	10,5	3,6
Deferred commission income	1,2	0,3	1,2	0,3	2,1
Accrued expenses and deferred income	0,7	0,2	1,0	0,2	-28,2
Other liabilities	233,7	56,5	195,9	45,8	19,3
Total other liabilities	413,7	100,0	427,6	100,0	-3,2

An analysis of the components comprising the deferred tax liabilities is given in the section on income tax.

At 31/12/2013, Other liabilities include amongst others:

- euro 73.6 million provision for commission bonuses and other contributions to the agency network
- euro 49.9 million provisions for personnel costs
- euro 30.7 million invoices to be received
- euro 18.5 million liabilities in respect of underwriting accounting
- euro 13.8 million outwards and inwards reinsurance balances
- euro 26.3 million representing the inter-segment balance between Unipol Assicurazioni's Life and Non-life business.

4. NOTES TO THE INCOME STATEMENT

Comments and further information on the items in the income statement and the variations that took place compared with the previous year are given below (the numbering of the notes is aligned to the mandatory layout for the preparation of the income statement).

INCOME

1.1 Net premiums

Values in Millions of Euro	31/12/2013	31/12/2012	*change %*
Non-Life business premiums	3,640.4	3,747.8	*-2.9*
Non-Life business - recognized premiums	3,573.7	3,680.3	*-2.9*
Non-Life business - change in the provision for unearned premiums	66.7	67.6	*-1.2*
Life business premiums	2,162.9	1,953.8	*10.7*
Gross premiums (Non-Life and Life)	5,803.3	5,701.7	*1.8*
Non-Life business - ceded premiums	-158.3	-122.1	*29.7*
Non-Life business - ceded premiums	-162.8	-119.0	*36.8*
Non-Life business - change in the provision for unearned premiums - reinsurers' share	4.6	-3.0	
Life business - ceded premiums	-7.7	-10.1	*-23.8*
Ceded reinsurance premiums (Non-Life and Life)	-165.9	-132.1	*25.6*
Total net premiums	5,637.4	5,569.5	*1.2*

Premiums and investment products

Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Non-Life direct premiums	3,468		3,654		*-5.1*
Non-Life inward premiums	106		26		*310.3*
Total Non-Life premiums	3,574	*62.1*	3,680	*65.1*	*-2.9*
Life direct premiums	2,162		1,953		*10.7*
Life inward premiums	1		1		*-5.2*
Total Life premiums	2,163	*37.6*	1,954	*34.6*	*10.7*
Total Life investment products	17	*0.3*	16	*0.3*	*2.1*
Total Life Business	2,180	*37.9*	1,970	*34.9*	*10.6*
Total premiums	5,753	*100.0*	5,651	*100.0*	*1.8*

Premium income (direct and indirect premiums and from investment products), amounted to euro 5,753 million at 31/12/2013, representing an increase of 1.8% over 31/12/2012. Life business registered an increase of 10.6%, while non-life premiums registered a decrease of 2.9%.

Direct premium income as at 31/12/2013 totalled euro 5,647 million (+0.4% over 31/12/2012), constituted by euro 3,468 million from Non-life premiums (-5.1%) and euro 2,180 million from Life business (+10.6%).

Indirect premiums at 31/12/2013 amounted to euro 107 million, against euro 27 million at 31/12/2012, of which euro 106 million were Non-life premiums, compared to euro 26 million at 31/12/2012.

All the income from Non-Life business has been classified as insurance premiums since it meets the criteria for recognition of insurance contracts as per IFRS 4 (the existence of significant insurance risk).

Within Life business, income from investment products amounted to euro 17 million as at 31 December 2013 (euro 16 million as at 31/12/2012), and pertained to Class III (Unit and Index-Linked policies), Class V (capitalisation policies) and Class VI (pension funds).

Life business

Life direct premiums

Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Premiums					
I - Whole and term life insurance	1,160	*53.7*	822	*42.1*	*41.2*
III - Unit-linked/index-linked policies	0	*0.0*	1	*0.0*	*-7.9*
V - Capitalisation insurance	603	*27.9*	272	*13.9*	*121.8*
VI - Pension fund	398	*18.4*	858	*44.0*	*-53.6*
Total Life premiums	2,162	*100.0*	1,953	*100.0*	*10.7*
Investment products					
III - Unit-linked/index-linked policies	2	*13.6*	4	*24.0*	*-42.0*
V - Capitalisation insurance	1	*7.1*	0	*0.0*	
VI - Pension fund	13	*79.3*	12	*76.0*	*6.5*
Total Life investment products	17	*100.0*	16	*100.0*	*2.1*
Total premiums					
I - Whole and term life insurance	1,160	*53.2*	822	*41.7*	*41.2*
III - Unit-linked/index-linked policies	3	*0.1*	4	*0.2*	*-38.1*
V - Capitalisation insurance	604	*27.7*	272	*13.8*	*122.3*
VI - Pension fund	412	*18.9*	871	*44.2*	*-52.7*
Total Life direct premiums	2,179	*100.0*	1,969	*100.0*	*10.6*

Life direct premiums amounted to euro 2,179 million at 31/12/2013, registering an increase of 10.6% over 31/12/2012 levels.

As in previous years, traditional Class I and V contracts represent a significant portion of total premium income in this sector (80.9%), highlighting once more customers' preference towards financial products with financial protection, such as re-valued products.

As at 31/12/2013 the volume of new business calculated in terms of APE (Annual Premium Equivalent), the indicator that measures the volume of business relating to new policies (the sum of regular premiums from new business and one-tenth of single premiums), stood at euro 246 million (+11.3%), in comparison to euro 221 million as at 31/12/2012.

Pension funds

During 2013, the parent company Unipol Assicurazioni maintained its leading position in the market of supplementary pensions despite the difficult competitive environment.

At 31/12/2013, Unipol Assicurazioni managed a total of 23 occupational pension fund mandates (of which 13 mandates were "with guaranteed capital and/or minimum return").
At the same date, total funds under management amounted to euro 3,681 million (of which euro 2,260 million with guaranteed capital).
The equity of funds "Unipol Previdenza" and "Unipol Insieme" reached a total of euro 370 million and 25,113 fund members, compared to euro 327.3 million and 24,928 fund members of the previous year.

Non-life business

Non-Life direct premiums					
Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Motor vehicle third party liability and Marine third party liability (classes 10 and 12)	1,834		1,977		*-7.2*
Motor vehicle damage (class 3)	256		286		*-10.3*
Total Motor premiums	2,090	*60.3*	2,262	*61.9*	*-7.6*
Accident and health (classes 1 and 2)	462		484		*-4.6*
Fire and other damage to property (classes 8 and 9)	414		416		*-0.5*
General third party liability (class 13)	331		325		*1.9*
Other classes	170		166		*2.3*
Total Non-Motor premiums	1,378	*39.7*	1,392	*38.1*	*-1.1*
Total Non-Life direct premiums	3,468	*100.0*	3,654	*100.0*	*-5.1*

Total premiums (direct and indirect) from the Non-life portfolio as at 31/12/2013 amounted to euro 3,574 million (-2.9% over 31/12/2012).
Direct premiums amounted to euro 3,468 million (-5.1%). **Indirect premiums** totalled euro 106 million (+310.3%), compared to 31/12/2012, Motor business decreased by 7.6% while non-Motor business reduced by 1.1%.

The drop in Motor premiums concerns both the MV TPL class, due to a combination of a reduction in its customer base and a decline in average premiums, and the Motor vehicle own damage class that suffered from the sharp decline in motor vehicle sales.

Inwards and outwards reinsurance

Inward business					
Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Non-Life premiums	106	*98.9*	26	*95.3*	*310.3*
Life premiums	1	*1.1*	1	*4.7*	*-5.2*
Total inward business	107	*100.0*	27	*100.0*	*295.6*

Ceded premiums					
Values in Millions of Euro	31/12/2013	*mix %*	31/12/2012	*mix %*	*change %*
Non-Life premiums	163	*95,5*	119	*92,2*	*36,8*
Non-Life retention (%)	*95,4%*		*96,8%*		
Life premiums	8	*4,5*	10	*7,8*	*-23,8*
Life retention (%)	*99,6%*		*99,5%*		
Total ceded premiums	171	*100,0*	129	*100,0*	*32,1*
Global retention (%)	*97,0%*		*97,7%*		

Inwards reinsurance

Inward reinsurance premiums in Non-life and Life classes of business totalled euro 107 million at 31/12/2013, compared to euro 27 million at 31/12/2012. The amount of reinsurance premiums accepted during the year was effected by reinsurance cessions, in Non-life classes of business, made by Fondiaria-SAI Group companies (now UnipolSai), mainly in relation to specific non-proportional type of coverage.

Non-life reinsurance inwards premiums amounted to euro 106 million at 31 December 2013 compared to euro 26 million at 31 December 2012, and include premiums from other Unipol Group companies that amounted

respectively to euro 1.1 million for Linear and approximately euro 72 million for Fondiaria-SAI Group (now UnipolSai).
The overall technical result from Non-life reinsurance inwards business, net of retrocession, was negative euro 1 million at 31 December 2013, compared to a positive result of euro 2 million at 31 December 2012.

Life reinsurance premiums accepted amounted to euro 1.2 million as at 31 December 2013, compared to euro 1.3 million at 31 December 2012.
The overall technical result from Life reinsurance inwards business was nearly break-even at 31 December 2013, compared to euro 0.3 million costs at 31 December 2012.

Outwards reinsurance

Non-life premiums ceded, net of retrocession, amounted to euro 130 million at 31 December 2013, compared to euro 118.2 million at 31 December 2012. During the year under review, proportional types of reinsurance cover resulted in a positive technical result for reinsurers, consistent with the company's technical result from direct business. In addition, non-proportional reinsurance covers were not marked by significant claims borne by the same reinsurers, on the contrary of the previous year, which was heavily impacted by the earthquake in Emilia.

Life premiums ceded amounted to euro 8 million at 31 December 2013, against euro 10 million at 31 December 2012.

The retention ratio for Non-life business resulted to be 96.2%, (96.8% in the previous year), whilst the retention ratio for Life business was 99.6%, compared to 99.5% for the previous year.

Reinsurance strategy

During 2013, the reinsurance strategy has been modified in order to leverage on synergies and economies of scale from the broadened consolidation scope brought about by the acquisition of the Premafin/Fondiaria-SAI Group (now UnipolSai). Balanced and comprehensive programmes for the retrocessionary cover of the sum of portfolios at the individual companies can be presented to the international market.

In particular as from 1/1/2013, the most significant non-proportional treaties have been integrated (catastrophe cover for Property events, cover for Fire risks, and per risk/event cover for MV TPL), together with standardisation of cover for reinsurance on Aviation classes.

Over the coming financial periods, this strategy will also be adopted to the remaining reinsurance contracts, in order to achieve:

i) an effective increase in retention level;

ii) more efficient cost structure governance by reaping the economic benefits associated with managing a larger critical mass of risks subject to reinsurance.

From a negotiation perspective, economies of scale can be realised through the simplification and reinforcement of reinsurance plans that will include increased rationalisation and flexibility able to support the strategy for business development for direct insurance operations.
In addition, the extended and more diversified portfolio will allow the retention of larger portions of risks underwritten, thus reducing cession of associated benefits to reinsurers.
Finally, the merger will also bring about more efficient financial management through the setting off of amounts due to/from common reinsurers.

For Non-life risks written, the reinsurance strategy to protect the Company continued, with quota-share proportional reinsurance maintained for the following classes of business: Suretyship, Credit and Other damage as cover for underwriting risks.
Non-proportional type of protection covers were also obtained for exposures on portfolios in the following classes of business: General TPL, Accident, Goods in transit and Other damage to Property for underwriting risks relating to damage caused by hail.
As concerns the Company's net exposure to risks in the following classes of business: MV TPL, Motor vehicles and Fire, including catastrophe type of risks, from the beginning of this year, protection is obtained through new specific non-proportional type of covers that apply to all the companies in the Group's new scope.
In relation to Life business risks, consistently with previous financial years, reinsurance protection is in typical forms of proportional reinsurance.
In order to minimise counterparty risks associated with reinsurers, reinsurance programmes are placed with reinsurers whose financial strength is rated highly in credit grades assigned by rating agencies.

1.2 Fee and commission income

Values in Millions of Euro	31/12/2013	31/12/2012	*change %*
Fee and commission income from banking business	0,0	0,0	*0,0*
Fee and commission income from investment contracts	0,1	0,4	*-83,1*
Other fee and commission income	10,7	10,3	*4,4*
Total fee and commission income	10,8	10,6	*1,5*

1.3 Gains and losses from financial instruments at fair value through profit or loss

Values in Millions of Euro	31/12/2013	31/12/2012	*change %*
on financial assets held for trade	65.1	24.4	
on financial liabilities held for trade	14.4	0.0	
on financial assets/liabilities designated at fair value through profit or loss	96.2	183.4	
Total net gains/losses	175.6	207.8	*-15.5*

1.4 Income from investments in subsidiaries, associates and interests in joint ventures

As at 31/12/2013, these amounted to euro 3.5 million, compared to euro 3.6 million as at 31/12/2012 (of which euro 2.1 million related to Unipol Banca).

1.5 Income from other financial instruments and investment property

Values in Millions of Euro	31/12/2013	31/12/2012	*change %*
	(a)	(b)	
Interest	594,2	613,5	*-3,1*
on investments held to maturity	60,4	78,4	
on loans and receivables	130,5	168,2	
on available-for-sale financial assets	402,1	364,9	
on other receivables	0,5	0,5	
on cash and cash equivalent	0,7	1,4	
Other income	58,1	74,1	*-21,6*
on investment property	23,9	25,1	
on financial assets held for sale	34,2	49,1	
Realized gains	244,5	141,1	*73,2*
on investment property	0,1	0,1	
on investments held to maturity	0,5	0,0	
on loans and receivables	30,0	10,6	
on financial assets held for sale	213,9	130,4	
Unrealized gains	0,0	29,7	*-100,0*
on financial assets held for sale	0,0	29,7	
on other financial assets and liabilities	0,0	0,0	
Total item 1.5	896,7	858,3	*4,5*

1.6 Other income

Values in Millions of Euro	31/12/2013	31/12/2012	*change %*
Technical income	24,3	23,5	*3,3*
Exchange differences	4,1	0,6	*576,1*
Contingent assets	2,0	5,8	*-65,1*
Other income	34,0	24,7	*37,9*
Total other revenues	64,4	54,6	*17,9*

At 31/12/2013, other income including the following:

- services provided to Companies that are not in the consolidation scope amounting to euro 14.5 million;
- recovery of various fees and expenses amounting to euro 6.5 million;
- rental income of real estate group companies of euro12.2 million.

COSTS AND EXPENSES

2.1 Net insurance claims

Values in Millions of Euro	31/12/2013	31/12/2012	*change %*
Net insurance claims - direct and inward business	4.802,5	5.117,8	*-6,2*
Non-Life business	2.230,6	2.648,9	*-15,8*
amounts paid	2.492,2	2.700,7	
change in outstanding claims provision	-214,1	0,3	
change in recoveries	-47,2	-51,6	
change in other technical provisions	-0,3	-0,4	
Life business	2.571,8	2.468,9	*4,2*
amounts paid	1.680,0	2.219,7	
change in payable amounts	-24,3	52,8	
change in mathematical provisions	792,9	-123,9	
change in other technical provisions	36,1	68,3	
change in provisions where the investment risk is borne by policyholders and arising from pension fund management	87,1	252,0	
Net insurance claims - reinsurers' share	-43,4	-117,7	*-63,2*
Non-Life business	-38,5	-109,6	*-64,8*
amounts paid	-93,4	-73,3	
change in outstanding claims provision	52,8	-38,9	
change in recoveries	2,2	2,6	
change in other technical provisions	0,0	0,0	
Life business	-4,8	-8,2	*-40,6*
amounts paid	-14,2	-15,1	
change in payable amounts	-0,6	-1,3	
change in mathematical provisions	9,9	8,3	
change in other technical provisions	0,0	0,0	
Total net insurance claims	4.759,1	5.000,1	*-4,8*

The loss ratio registered for direct Non-life business (an indicator that measures the ratio of claims attributable to premiums) and inclusive of the OTI ratio (Other Technical Items ratio, which is the ratio between the sum of other operating income/expenses and the movement in other technical reserves and net premiums earned) stood at 61.9% (70.8% at 31/12/2012).

Non-life claims reported during the year amounted to 1,167,631, an increase of 4% over those reported in 2012.
The Claims Handling Department managed 967,796 claims during 2013 for the Company (1,072,790 last year), whilst claims settled amounted to 627,164 (682,423 in 2012). The remaining claims were handled by the Non-life underwriting department or, to a small extent, by third party providers, according to their respective competencies.

The Reported claims relating to the Non Card and debtor Card claims amounted to 283,473, equivalent to a decrease of 8.3% over the same period last year (309,182 reported claims). These include claims reported on MV TPL class, which fall under the Direct Indemnity Agreement, which is governed by Presidential Decree 254

of 18/7/2006 (debtor Card) and amounted to 188,369, equivalent to a 7.4% decrease compared to the same period of the previous year.
Claims reported through the "Card Gestionaria" amounted to 205,070 (inclusive of 24,740 "Card Naturali", which are accidents occurring between parties insured by the same insurer) representing a drop of 9.7%. The ratio of Card claims over total claims amounted to 84.8% at December 2013 (84.6% at December 2012).
"Debtor Card claims" are defined as claims which are managed by other companies, for which own insured are fully or partly responsible and which are governed by a separate settling unit that is set at CONSAP.
"Card Gestionaria claims" are defined as managed claims, in which own insured are not fully or partly responsible. In such cases, the company recovers amounts from third party insurers.
"Non Card claims" are those claims, which do not fall under "CARD" system.

The settlement rate of claims reported through the Card system and totally managed by Unipol Assicurazioni stood at 78.4%, (excluding shared "fault" claims that are partly managed by third party insurers), representing a 0.7% increase over 2012. The average settlement cost registered an increase of 4.7%.

Number of claims reported (excluded Motor vehicle third party liability)

	31/12/2013	31/12/2012	*change %*
Motor vehicle damage (class 3)	141.925	127.651	*11,2*
Accident (class 1)	81.077	82.079	*-1,2*
Health (class 2)	2.391.174	317.704	*652,6*
Fire and property other than fire (class 8 and 9)	125.930	122.106	*3,1*
General third party liability (class 13)	50.507	56.842	*-11,1*
Other classes	168.869	148.627	*13,6*
Total	2.959.482	855.009	*246,1*
Total excluded Health	568.308	537.305	*5,8*

Claims reported, excluding the sickness class of business which is influenced by the increasing relevance of supplementary health funds (fondi sanitari) within the Parent company Unipol Assicurazioni, that are characterised by increasing use of prescription charges (ticket sanitari) and low average costs, registered an increase of 5.8% during the year.

2.2 Fee and commission expense

Values in Millions of Euro	31/12/2013	31/12/2012	*mix %*	*change %*
Fee and commission expense from investment contracts	0,2	0,2	*1,7*	*-6,4*
Other fee and commission expenses	9,6	9,3	*##*	*3,3*
Total fee and commission expenses	9,8	9,5	*##*	*3,1*

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

At 31/12/2013, these amounted to euro 99.2 million (of which euro 96.6 million related to Unipol Banca), compared to euro 0.1 million at 31/12/2012.

2.4 Losses on other financial instruments and investment property

Values in Millions of Euro	31/12/2013	31/12/2012	*change %*
Interest:	35,3	44,2	*-20,2*
from other financial liabilities	35,0	43,9	
from payables	0,3	0,3	
Other charges:	8,5	11,3	*-24,5*
from investment property	6,3	7,1	
from held to maturity financial assets	0,0	0,0	
from loans and receivables	0,0	0,0	
from available-for-sale financial assets	2,2	4,2	
from other receivables	0,0	0,0	
from cash and cash equivalent	0,0	0,0	
from other financial liabilities	0,1	0,0	
from other payables	0,0	0,0	
Realized losses:	71,8	50,9	*41,2*
from investment property	0,1	0,0	
from held to maturity financial assets	0,0	0,0	
from loans and receivables	38,0	0,7	
from available-for-sale financial assets	33,7	50,2	
from other receivables	0,0	0,0	
from other financial liabilities	0,0	0,0	
Unrealized losses and impairment:	119,9	142,8	*-16,0*
from investment property	21,5	32,7	
from held to maturity financial assets	0,0	0,0	
from loans and receivables	0,0	0,0	
from available-for-sale financial assets	98,4	110,1	
from other financial liabilities	0,0	0,0	
Totale item 2.4	235,5	249,2	*-5,5*

Interests on Other financial liabilities amounted to euro 35 million, out of which euro 31.3 million relate to interest expense on bonds issued by Unipol Assicurazioni.

Impairment losses at 31/12/2013 amounted to euro 119.9 million (euro 142.8 million at 31/12/2012), and were due to impairment losses on securities classified as Available-for-sale financial assets, (equity and UCITs) of euro 25.3 million, impairment losses on investment property of euro 3.4 million, based on latest independent expert valuations, and depreciation on property that amounted to euro 18.1 million.
Impairment losses on Available-for-sale financial assets, also include euro 73.1 million related to the fair value losses on bonds that are subject of fair value hedging by means of IRS.

2.5 Management expenses

At 31/12/2013 Management expenses amounted to euro 1,039 million, against euro 990.6 million at 31/12/2012.
Details of Operating expenses in the Insurance business are provided below:

	NON-LIFE		change %	LIFE		change %	TOTAL		change %
Values in Millions of Euro	dic-13	dic-12		dic-13	dic-12		dic-13	dic-12	
Acquisition commissions	603.3	580.2	*4.0*	20.4	16.2	*26.5*	623.7	596.3	*4.6*
Other acquisition costs	152.5	135.6	*12.5*	25.0	26.8	*-6.7*	177.5	162.4	*9.3*
Change in deferred acquisition costs	0.9	2.4		-0.2	1.5	*-116.2*	0.7	3.9	*-83.1*
Collection commissions	70.8	76.5	*-7.4*	5.3	6.2	*-13.5*	76.2	82.7	*-7.9*
Profit participation and other commissions from reinsurers	-33.2	-32.4	*2.6*	-1.4	-1.3	*13.0*	-34.7	-33.7	*3.0*
Investment management expenses	17.5	17.3	*1.2*	17.1	15.4	*10.9*	34.6	32.7	*5.8*
Other administrative expenses	129.4	118.9	*8.8*	24.0	22.2	*7.9*	153.4	141.2	*8.7*
Total management expenses	941.2	898.6	*4.7*	90.1	86.9	*3.7*	1,031.4	985.5	*4.7*

The **expense ratio** for direct Non-life business, that measures operating expenses, gross of commissions received from reinsurers and investment management expenses as a percentage of direct premium income, stood at 26.8% at 31/12/2013 (24.7% at 31/12/2012).
The **combined ratio**, on direct business, stood at 88.7% at 31/12/2013 (95.5% at 31/12/2012). This indicator is a summation of the loss ratio and the expense ratio.

2.6 Other costs

Values in Millions of Euro	31/12/2013	31/12/2012	*change %*
Other technical charges	43,9	27,1	*62,0*
Losses on receivables	3,8	2,9	*33,4*
Other charges	172,8	57,4	*201,2*
Total other costs	220,5	87,3	*152,5*

Other costs amounted to euro 220.5 million (euro 87.3 million at 31/12/2012).

At 31/12/2013 other costs include:

- staff cost provisions of euro 87.2 million;
- third party expenses of euro 25.1 million;
- impairment of tangible assets (property) of euro 16.3 million;
- depreciation of tangible assets of euro 11.1 million;
- exchange differences of euro 8.9 million;
- indemnity charges and re-imbursements to agents of euro 7.3 million;
- provisions of euro 3.4 million;
- Ivass and Anti-trust fines of euro 1.7 million;
- contingent liabilities of euro 1.4 million.

3. Income tax

The following table presents the movements recognised in the consolidated income statement, as a result of the recognition of, or provision for, deferred tax assets and liabilities in accordance with IAS 12.

	31/12/2013			31/12/2012		
Values in Millions of Euro	Ires	Irap	Total	Ires	Irap	Total
Current taxes	-231,6	-60,2	-291,7	-234,2	-64,2	-298,5
Deferred assets and liabilities	73,8	20,0	93,8	144,5	30,9	175,4
Use of deferred tax assets	-56,9	-1,9	-58,8	-21,0	-1,6	-22,6
Use of deferred tax liabilities	2,3	0,0	2,3	1,7	0,0	1,7
Accrual to deferred tax assets	180,1	33,3	213,4	180,0	36,4	216,4
Accrual to deferred tax liabilites	-51,7	-11,3	-63,1	-16,2	-4,0	-20,2
Total	-157,8	-40,1	-197,9	-89,7	-33,4	-123,1

At 31/12/2013, a profit before tax amounting to euro 425.4 million has given rise to a tax expense of euro 197.9 million, corresponding to a 46.52% tax rate.

The following table presents an analysis of deferred tax assets and liabilities, showing the major differences for taxation purposes:

Values in Millions of Euro	31/12/2013	31/12/2012
DEFERRED TAX ASSETS		
Tangible and intangible assets	42.6	0.1
Reinsurers' share of technical provisions	0.0	0.0
Investment property	55.8	50.4
Financial instruments	50.0	190.1
Other receivables and other assets	1.1	0.4
Cash and cash equivalents	0.0	0.0
Provisions	61.8	34.5
Technical provisions	64.1	66.7
Financial liabilities	0.0	0.0
Payables and other liabilities	0.4	0.4
Other deferred tax assets	1.6	45.6
Total deferred tax assets	277.3	388.1
DEFERRED TAX LIABILITIES		
Tangible and intangible assets	36.0	36.0
Reinsurers' share of technical provisions	0.0	0.0
Investment property	1.5	1.1
Financial instruments	25.6	71.0
Other receivables and other liabilities	0.0	0.0
Cash and cash equivalents	0.0	0.0
Provisions	0.0	0.9
Technical provisions	17.7	15.9
Financial liabilities	0.5	0.6
Payables and other liabilities	0.1	0.0
Other deferred tax assets	4.5	2.6
Total deferred tax liabilities	85.8	128.1

The net tax assets are deemed to be recoverable on the basis of the business plans of the companies belonging to the Group, taking into consideration the effects of the consolidated tax scheme as well as recent legislation. These have introduced more advantageous conditions both in terms of carrying tax losses forward to future years, as well as in recovering, as tax receivables, the deferred tax assets based on the amount of tax loss arising from the amortisation of realigned goodwill and impairment losses on receivables.

5. OTHER INFORMATION

5.1 Hedge Accounting

Fair value and cash flow hedging activities were in place at 31/12/2013, that were all in the name of the parent company Unipol Assicurazioni.

Fair value hedges

In 2013, financial instruments designated as hedging instruments comprise Interest Rate Swap (IRS).

The fair value of IRS was a liability of euro 201.5 million as at 31/12/2013. Fair value movements on the hedged bonds, which are classified as Available-for sale financial assets, during the effective period of the hedge relationship are represented by increases in value amounting to euro 161.7 million.
The hedging relationship was effective as at 31/12/2013 since the ratio between the respective variations in fair value remains within the 80%-125% range.
During 2013, fair value losses of euro 73.1 million were recognised in respect of underlying assets, while fair value gains of euro 62.8 million were recognised within the income statement on IRS, giving rise to net fair value loss of euro 10.3 million recognised in the income statement.

Cash flow hedges

The objective of the existing hedges is to convert the interest rate exposure on financial liabilities from variable to fixed rates of interest, thus fixing the cash flows at a set amount.

At 31/12/2013, Unipol Assicurazioni had designated cash flow hedges through IRS on hybrid loans with variable semi-annual coupon rates, which were issued in May 2009 for an amount of euro 400 million, redeemable in 2018. The objective of the hedge is to convert the rates from variable to fixed, thus stabilising future cash flows.
As at 31/12/2013 the cumulative effect recognised in equity within the Cash flow hedge reserve amounts to a fair value loss of euro 44.8 million (euro 29.4 million net of tax). The effect as at 31/12/2012 was a loss of euro 63.4 million (euro 41.6 million net of tax).

During 2013 Unipol Assicurazioni used Cash flow hedges through IRS including bonds which are part of the portfolio of assets classified as available for sale, the nominal amount of which is euro 327 million.
The cumulative effect recognised in equity within the Cash flow hedge reserve amounts to a fair value gain of euro 0.5 million (euro 0.3 million net of tax).
As at 31/12/2012 the cumulative effect recognised in equity within the Cash flow hedge reserve amounts to a fair value loss of euro 3.8 million (euro 2.5 million net of tax).

5.2 Information relating to actual or potential effects of offsetting agreements

In order to perform an assessment of the actual or potential effects of offsetting agreements within the Unipol Assicurazioni Group, the following is a summary of information relating to financial instruments, which are subject to offsetting agreements. These relate to the following types of financial instruments:

- derivatives
- repurchase agreements

In relation to derivatives, agreements under ISDA Master agreements that govern transactions in such instruments, provides for the set-off of debit and credit balances, including any cash deposits or financial instruments given as collateral, in the event of default of any one of the contractual parties.

As concerns repurchase transactions, the set-off clause, that would apply in the event of the buyer's default is effectively constituted by the collateral given on financial securities that are subject to the repurchase operation.

Financial assets

Type	Gross amount (A)	Financial liabilities compensated in the Financial Statement amount (B)	Financial assets reported in the Financial Statement net amount (C)= (A) - (B)	Related amounts not subject to compensation in the Financial Statement		Net amount (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits received as guarantee (E)	
Derivatives operations (1)	199,0	-	199,0	25,6	-	173,3
Loan buyback (2)	102,8	-	102,8	102,8	-	-
Securities landing	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	301,8	-	301,8	128,5	-	173,3

Financial liabilities

Type	Gross amount (A)	Financial assets compensated in the Financial Statement amount (B)	Financial liabilities reported in the Financial Statement net amount (C)= (A) - (B)	Related amounts not subject to compensation in the Financial Statement		Net amount (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits set as guarantee (E)	
Derivatives operations (1)	363,8	-	363,8	85,1	133,1	145,6
Loan buyback (2)	103,1	-	103,1	102,8	-	0,3
Securities landing	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	466,9	-	466,9	187,9	133,1	145,9

(1) The shown amounts comprehend the Financial Statement fair value of the derivative instruments related to compensation agreements, as well as possible cash deposits received or given as guarantee.

(2) The shown amounts include the financial asset/liability related to the operation of loan buyback as well as the financial asset subject of the loan buyback.

5.3 Employees information

The total number of employees of the Unipol Assicurazioni Group as at 31 December 2013 is 3,683.
The number of employees, in "full time equivalent" (FTE) terms, that considers the effective hours worked, amount to 3,532.

Subscription to the Solidarity fund for the insurance segment – Trade union agreement dated 18/12/2013

A trade union agreement, related to the Merger by incorporation of Unipol Assicurazioni S.p.A., Premafin HP S.p.A. and Milano Assicurazioni S.p.A. in Fondiaria-Sai S.pA., which became UnipolSai Assicurazioni S.p.A upon the Merger, was entered into 18 December 2013.
The agreement also includes the option of voluntary subscription to the extraordinary portion of the Solidarity Fund to those employees who have less than 5 years to the fulfilment of pension requirements, so that they can immediately receive pension upon termination of subscription in the mentioned INPS Fund.

The membership to the Solidarity Fund involves termination of employment, but allows the employee to receive the same treatment as under his future retirement until the subscription terminates, together with social security contribution.
In order to compensate for differences between current salaries and the solidarity allowances received during subscription to the fund, the agreement provides for various additional payments made in relation to the fund subscription period (that will be paid upon termination of employment together with the TFR).
Further additional benefits have also been introduced in favour of employees that retire before reaching 62 years of age ("penalizzazione della Riforma Fornero"), or those who have paid less than 35 years of contributions, or those whose pension is still calculated in accordance with the so-called mixed system ("sistema misto").
It has been established that during the period of subscription to the Solidarity Fund, which can last for a maximum duration of 5 years, the employees concerned will maintain the same health care benefits and supplementary pensions as for current employees.
The total costs to establish the Solidarity Fund are included under merger costs forecasts in the Business Plan 2013/2015 and expected savings will cover investment costs over a 2.2 year period.
On this aspect, it is noted that UnipolSai is the first company in the insurance market to establish a Solidarity Fund. This tool was used to manage surplus staff arising upon the reorganisation and has the advantage of limited social impact as well as representing a solution to the "riforma Fornero" in the field of social security. The latter extended the possibility for employees to remain in employment until the age of 70 years.

The 2013 consolidated financial statements include euro 72.3 million that have been set aside in relation to this agreement.

Staff training

Insurance business

The major initiatives in staff technical training include:

- training given to the Claims Department, since the entire settlement process was confirmed, as one of the priorities of technical training in 2013. In fact, various specialisation and updating training, that had been launched in 2010, were continued that were addressed to both claims handling personnel and Call Centre operators;
- training courses dedicated to Sales Department personnel, in particular to employees at sub-agencies, that were aimed at acquiring or reinforcing insurance technical knowledge. The training course dedicated to agency business development officials ("RSCA"), which was launched in 2011 was concluded in the current year;
- On health and safety, apart from the regular training provided to Emergency Personnel, courses were held that were aimed at complying with obligations arising out of Safety legislation and in view of new updates from agreements reached between the State and regions ("accordo Stato-Regioni"). These included, amongst others, a training module in relation to risks specific to our work environment;
- training dedicated to Secretarial Staff, aimed at strengthening behavioural and relationship abilities, related to their role;
- training courses relating to "Progetto Vivaio" targeted at widening of knowledge of the insurance world, the functionality of main features of the Microsoft Office packages and the impact that the Solvency II Directive will have on the industry;
- courses provided on the E-learning platform, such as the course on the Italian Legislative Decree 231 of 2001 and the courses on Privacy and Anti-Money Laundering legislation;
- training to operators and team leaders in advance technical skills. The project is divided into two stages, the first six months were characterised by the delivery of a training module that illustrated key insurance processes and functions through participation of company speakers. In the second half of the year, training modules, aimed at widening knowledge of the functionality of certain MS Office applications, were provided.

5.4 Earnings/Loss per share

Ordinary shares - basis and diluted

	31/12/2013	31/12/2012
Gain/loss attributed to ordinary shares (Millions of Euro)	227,4	244,8
Weighted average of the ordinary shares outstanding in the period (n./Millions)	259,1	259,1
Basis gain/loss per share (euro per share)	0,88	0,94

In the absence of any dilutive factors, basic earnings per share and diluted earnings per share are the same.

5.5 Dividends

The financial statements of the parent company Unipol Assicurazioni as at 31 December 2013, drawn up in accordance with Italian GAAP, show a profit for the year of euro 530.9 million.
As a result of the above mentioned Merger and taking into account the economic performance of the other companies involved in the merger, as well as the accounting effect of the Merger, the ordinary shareholders general meeting of UnipolSai Assicurazioni, that incorporated Unipol Assicurazioni, approved the following dividend distribution to shareholders:
- €19.64133 for each class “A” savings share, for a total of €25,078,757.23;
- €0.22497 for each class “B” savings share, for a total of €84,857,144.08;
- €0.19559 for each ordinary share, for a total of €440,112,927.61;

that amounted to a total distribution of €550,048,828 to Shareholders.

5.6 Related party transactions

Unipol Assicurazioni is 100% owned by UGF, which carries out management and coordination activities thereon pursuant to Article 2497 of the Civil Code.

The services provided by UGF to Unipol Assicurazioni in the financial year 2013 involved the following activities:

- Human resources (recruitment, development & remuneration, industrial relations, internal communication, training and organisation);
- Governance (internal control support, risk management and compliance);
- Legal (corporate affairs, anti-money laundering, “normative 231” (Law 231));
- Other areas (public affairs, media relations, and corporate identity).

Fees paid to UGF are based on external costs incurred by the latter, for example for products and services acquired from suppliers, and on costs arising from the internal activities of the companies themselves, i.e. generated by their own staff, also taking account of:

- the performance objectives that the provision of the service to Unipol Assicurazioni must achieve;
- the strategic investments to be implemented by UGF in order to ensure the agreed levels of service.

The costs incurred by UGF for the provision of centralised services is mostly made up of the following components:

- staff costs;
- operating costs (IT, logistics, etc.)
- any other specific costs (secondments, consultancy, etc.)

For centralised services, charges to operating companies are increased by a mark-up on the allocated cost. The fees are renewed annually after these are jointly reviewed by UGF and Unipol Assicurazioni.

The areas in which Unipol Assicurazioni provides the most economically significant services to the Unipol Group companies are the following:

- Financial;
- Health and safety;
- Claims settlement;
- Legal affairs and data protection;
- IT services;
- Technical training and organisation;
- Administrative (accounting, tax, administrative and financial statements services);
- Real estate, purchasing and auxiliary services;
- Marketing.

These services are apportioned to the Unipol group companies in accordance with the cost sharing method, with the exception of Financial Management, which is apportioned based on the assets held under management.

The above detailed transactions have been carried out in accordance with the applicable regulations, which are detailed in the provisions of Article 2391 of the Italian Civil Code (Directors' interests) and by Guidelines in place in relation to intragroup transactions and the regulations on transactions carried out with related parties.

Unipol Assicurazioni also carries out the following transactions with Unipol Group companies:

- normal reinsurance and coinsurance transactions;
- property leases;
- agency mandates
- staff secondments

These relationships, that do not include any atypical or unusual transactions, are governed by normal market conditions.

Unipol Assicurazioni seconds its staff to Unipol Group companies.

Put option and call option on the investment in Unipol Banca

As previously noted, as part of the Exchange of Key Merger Information, Unipol Gruppo Finanziario granted Fondiaria-SAI a put option on the investment held by Unipol Assicurazioni in Unipol Banca S.p.A., equivalent to 32.26% of the latter's share capital, which can be exercised at the end of the fifth year following the legally effective date of the Merger, at a price equal to the carrying value of the said investment (amounting to approximately euro 299.4 million). This was corresponded by a call option granted by Fondiaria-SAI to Unipol Gruppo Finanziario on the abovementioned investment at the same price, but granting Unipol Gruppo Finanziario the possibility of exercising the option throughout the period from the legally effective date of the Merger and the end of the fifth year following the same date.

At 31 December 2013, the carrying value of the investment in Unipol Banca amounted to euro 204 million, equivalent to the respective holding (32.26%) of Shareholders' Equity that totalled to euro 633 million.

The following table shows the transactions with related parties (parent company, associates, subsidiaries and other companies) carried out during 2013, as laid down in IAS 24 and in Consob Note DEM/6064293/2006. The information relating to directors, "sindaci", general managers and key management personnel (recognised

under Others) does not include remuneration and fees for their appointments nor for the work they carried out, which are shown separately.
To the extent that transactions with and between Group companies have been eliminated as part of the normal consolidation process using the line-by-line method, those same transactions have not been disclosed.

Related parties operations' information - 31 december 2013								
Values in Millions of Euro	indirect controlling companies	direct controlling company	associates	branches	others (3)	Total	*inc. % (1)*	*inc. % (2)*
Reinsurers' share of technical provisions	-	-	-	1.1	-	1.1	*0*	*0.1*
Investments held to maturity	-	-	-	-	-	-	-	-
Loans and receivables	-	268.6	39.3	-	-	307.9	*1.2*	*32.3*
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Other receivables	8	0.7	34.6	13	-	56.4	*0.2*	*5.9*
Other assets	-	-	4.2	-	-	4.2	*0*	*0.4*
Cash and cash equivalents	-	-	1,015.80	-	-	1,015.80	*4*	*106.7*
Total assets	8	269.3	1,093.90	14.1	-	1,385.30	*5.4*	*145.5*
Technical provisions	-	-	-	33.5	-	33.5	*0.1*	*3.5*
Other financial liabilities	-	-	10.8	-	-	10.8	*0*	*1.1*
Other payables	116.6	5.1	0.8	15.7	-	138.2	*0.5*	*14.5*
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	116.6	5.1	11.6	53.6	-	186.9	*0.7*	*19.6*
Net premiums	-	-	-	70	-	70	*30.8*	*7.4*
Fee and commission	-	-	6.1	-	-	6.1	*2.7*	*0.6*
Income from other financial instruments and investment property	0.2	9.4	10.4	5.5	-	25.5	*11.2*	*2.7*
Other income	-	3.8	3.7	12.8	-	20.3	*8.9*	*2.1*
Total revenues and income	0.2	13.2	20.2	88.3	-	121.8	*53.6*	*12.8*
Net insurance claims	-	-	-	41.3	-	41.3	*18.2*	*4.3*
Fee and commission expense	-	-	1.2	-	-	1.2	*0.5*	*0.1*
Management expenses	-	7.1	-	14	-	21	*9.3*	*2.2*
Other costs	0	9.1	107.3	0.2	-	116.6	*51.3*	*12.2*
Total costs and expenses	0	16.2	108.7	55.9	-	180.8	*79.5*	*19*

(1) Percentage calculated on total assets of the consolidated balance sheet for the balance sheet items, and calculated on the consolidated net profit for the period for income statement items.
(2)
Percentage based on total net cash flows from operating activities in the cash flow statement.
(3) The "Other" column includes related companies and individuals identified as related parties (directors, statutory auditors, general managers, managers with strategic responsibilities, and their family members).

Loans and receivables

Amounts of euro 268.6 million were outstanding as at 31/12/2013, on two loan agreements that Unipol Assicurazioni had taken over as issuer from UGF in 2009, namely the subordinated UGF 7% bonds and UGF 5.66% bonds which had both been issued by UGF.
As at 31/12/2013 euro 39.3 million related to bonds in Unipol Assicurazioni’s portfolio that had been issued by its associate Unipol Banca.

Other receivables and other liabilities

The indirect parent company Finsoe, which controls UGF, acts as the consolidating company for tax purposes for the following companies: UGF, Unipol Assicurazioni, Linear, Linear Life, Midi, Smallpart and Unisalute, which in accordance with Article 117 of Presidential Decree 917 of 86 and Ministerial Decree 9/6/2004, have opted to be taxed on a consolidated basis with the Group (for IRES purposes). At 31/12/2013 tax credits receivable by the Unipol Assicurazioni group companies towards the fiscal consolidating company Finsoe amounted to euro 8 million and payables amounted to euro 116.6 million.
Receivables from associates of euro 34.6 million consist mainly of receivables of Unipol Assicurazioni from insurance intermediary agencies in relation to outstanding balances, whilst euro 13 million relate to

miscellaneous receivables due from Premafin group companies amounting to euro 11.1 million and from other companies amounting to euro 2.9 million.
At 31/12/2013, other payables included euro 5.1 million due to the parent UGF; euro 15.7 million due to group companies of which euro 8.9 million were due to Premafin group companies and euro 6.8 million were due to Unisalute and Linear.

Other assets
This item amounted to euro 4.2 million and included balances on “assegni di traenza” (a form of transfer cheques) and repossessed accounts with the associate Unipol Banca.

Cash and cash equivalents
This item included current account balances between the Group companies of Unipol Assicurazioni and Unipol Banca.

Technical reserves – Net premiums and Net charges relating to claims
The item refers to reinsurance transactions between the Company's group companies (mainly with the Premafin Group).

Other financial liabilities
This item included mortgages and other loans provided by Unipol Banca group companies.

Income from other financial instruments and investment property
Transactions with related companies amounted to euro 10.4 million and relate mainly to interest income on bonds subscribed by Unipol Assicurazioni in Unipol Banca, to bank interest receivable and to rental income.
Transactions with the parent that amounted to euro 9.4 million and transactions with group companies that amounted to euro 5.5 million are mainly constituted by interest and rental income.

Operating costs
Transactions with the parent company and with group companies refer to payments made for services offered.

Other costs
Transactions with associates that amounted to euro 107.3 million related to fees paid to insurance intermediary agencies amounting to euro 84.2 million and insurance intermediary fees paid to Unipol Banca amounting to euro 23.1 million.
Transactions with the parent company, that amounted to euro 9.1 million, are entirely constituted by charges for seconded staff to Unipol Assicurazioni.

Remuneration paid to directors, statutory auditors and key management with strategic responsibilities for carrying out their responsibilities in Unipol Assicurazioni, and in other companies within the consolidation scope, amounted to (in millions of euro):

	2013
- Directors	1.1
- “Sindaci” (members on the Board of Statutory auditors)	0.1
- Other management personnel with strategic responsibilities *(*)*	*5.8*
	7.0

(*) amount includes almost exclusively income from employment and also includes amounts contributed indirectly through UGF by other separate companies.

5.7 Fair value measurement – IFRS 13

Regulation No. 1255/2012 has approved IFRS 13 – *Fair Value Measurement*, which entered into force with an effective date of 1 January 2013. IFRS 13, which requires prospective application, has not extended the scope of fair value measurements, but provides guidance on how the fair value of financial instruments and non-financial assets and liabilities, as was already required or permitted by other IFRSs, should be measured.

During 2013, the Unipol Assicurazioni Group adopted the requirements of the new accounting standard, IFRS 13, in relation to its fair value measurements. This standard:

a) defines fair value;

b) sets out in a single standard a framework for the measurement of fair value;

c) enhances disclosures in the financial statements.

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions (an exit price).
Fair value is a market-based measurement, not an entity-specific measurement; such that valuations must be determined on the basis of assumptions and valuation techniques generally used by market participants, including assumptions about risks specific to the asset or liability subject to the valuation.
When a market price is not observable, an entity is required to measure fair value using a valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

IFRS 13 establishes a fair value hierarchy based on the degree of observability of the inputs contained in the valuation techniques used to determine the fair value.

The policies adopted by the Unipol Assicurazioni Group and valuation criteria used in the determination of fair value are set out in section 2, Accounting policies.

Recurring fair value measurements

The following table presents an analysis, by level within the fair value hierarchy, of the assets and liabilities which are measured at fair value as at 31 December 2013 and 31 December 2012:

Assets and liabilities at fair value on recurrent and non-recurrent basis: breakdown by level of *fair value*								
	Level 1		Level 2		Level 3		Total	
Values in Millions of Euro	2013	2012	2013	2012	2013	2012	2013	2012
Assets and liabilities valued at fair value on a recurrent basis:								
Available-for-sale financial assets	11.048,1	8.463,6	582,0	658,7	617,8	864,3	12.247,8	9.986,5
Financial assets at fair value through profit or loss								
- held for trading	110,3	169,3	106,5	78,2	70,4	105,9	287,2	353,4
- defined at fair value through profit or loss	2.880,1	2.662,1	66,8	135,0	14,3	63,1	2.961,2	2.860,2
Investment property								
Tangible assets								
Intangible assets								
Total assets at fair value on recurrent basis	*14.038,5*	*11.295,0*	*755,3*	*871,9*	*702,5*	*1.033,3*	*15.496,3*	*13.200,1*
Financial liabilities at fair value through profit or loss								
- held for trading	8,9	12,8	347,9	421,3	4,3	17,6	361,1	451,6
- defined at fair value through profit or loss	0,0	0,0	0,0	0,0	247,2	235,2	247,2	235,2
Total liabilities at fair value on recurrent basis	*8,9*	*12,8*	*347,9*	*421,3*	*251,5*	*252,8*	*608,4*	*686,8*
Assets and liabilities at fair value on a non recurrent basis								
Non current assets or disposal group held for sale								
Liabilities of a disposal group held for sale								

The amount of financial instruments classified as Level 3 as at 31 December 2013 is euro 3,493.4 million.

The following analysis presents a reconciliation of changes in assets and liabilities classified in Level 3 during the same period.

Detail of changes of assets and liabilities at fair value on recurrent basis at level 3								
		Financial assets at fair value through					Financial liabilities at fair value through profit or	
Values in Millions of Euro	Available for sale financial assets	held for trading	designated at fair value through profit or loss	Investment property	Tangible assets	Intangible assets	held for trading	designated at fair value through profit or loss
Opening balance	864,28	105,88	63,11				17,55	235,23
Purchases/Emissions	47,09	1,26	0,00				1,33	0,00
Disposal/Buy back	-281,20	-13,09	-35,72				-11,75	0,00
Reimbursements	-0,24	-10,96	-13,34				0,00	0,00
Gain or loss at fair value through profit or loss	6,38	-14,70	0,22				1,83	0,00
- of which unrealized gains/losses	0,00	-14,70	0,22				1,83	0,00
Gain or loss recorded in other components of the statement comprehensive income	24,59	0,00	0,00				0,00	0,00
Transfers to level 3	14,04	0,92	0,00				0,00	0,00
Transfers to other levels	-61,13	-0,01	0,00				0,00	0,00
Other changes	3,98	1,08	0,00				-4,69	12,01
Closing balance	617,80	70,40	14,27				4,27	247,25

Transfers from level 1 to level 2 which occurred during the reporting period were not significant.

Analysis and sensitivity of unobservable inputs (Level 3)

The table below shows the effects arising from a shift in the unobservable inputs used in the calculation of fair value of financial assets and liabilities classified within Level 3.

With reference to assets that are subject to recurring fair value measurements and are classified within Level 3, a sensitivity analysis of unobservable inputs is carried out for those financial instruments that are measured using a Mark to Model method which includes one or more unobservable inputs.

The securities which fall within scope of this analysis amount to euro 418.3 million as at 31 December 2013.

The following parameters are used for the sensitivity analysis on non-observable inputs:

– curve spread benchmarks used to assess debt instruments from issuers for which no price is available for bonds issued or CDS curves;

– credit risk parameters on the probability of default and recovery rates.

The results of the sensitivity analysis are presented in the following table:

euro/million	Curve Spread				Recovery rate			
Fair Value	46,66				371,36			
Shock	+10bps	-10bps	+50bps	-50bps	-10%	-10%	50%	-50%
Delta Fair Value	-0,22	0,22	-1,1	1,15	3,34	-3,21	18,75	-14,61
Delta Fair value %	-0,48%	0,48%	-2,37%	2,46%	+0.91 %	-0.87%	+5.05%	-3,94%

Fair value measurement on a non-recurring basis

IFRS 13 also addresses fair value measurement and the related disclosures for assets and liabilities which are not measured at fair value on a recurring basis.
For those assets and liabilities, fair value is measured for the purpose of providing information to the market. It should also be noted that since these assets and liabilities are, with the sole exception of listed securities classified as Held to maturity investments, generally not subject to trading activity, the determination of their fair value is primarily based on the use of internal parameters which are not directly observable in the market.

Assets and liabilities not valued at fair value: breakdown by level of fair value										
	Carrying amount		*Fair value*							
			Level 1		Level 2		Level 3		Total	
Values in Millions of Euro	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Assets										
Held to maturity investments	1,488.05		1,160.13		346.45		42.10		1,548.68	
Loans and receivables	3,462.28		0.00		2,491.07		709.13		3,200.20	
Loans and receivables	517.42		0.00		0.00		517.42		517.42	
Investments in subsidiaries, associates and joint ventures	245.69		0.00		0.00		245.69		245.69	
Investment property	664.89		0.00		0.00		687.24		687.24	
Tangible assets	354.09		0.00		0.00		415.60		415.60	
Total assets	6,732.42		1,160.13		2,837.53		2,371.49		6,369.14	
Liabilities										
Other financial liabilities	1,205.40		497.22		0.00		634.28		1,131.50	

5.8 Non-recurring significant transactions and events

As previously described, the merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin into Fondiaria-SAI, that became UnipolSai Assicurazioni SpA (“UnipolSai”) upon the merger, became legally effective on 6 January 2014. All shares of the merged companies were cancelled and exchanged for shares in the incorporating company, including Premafin shares for which the right to withdraw from the Merger was availed of.

The period for the exercise of pre-emption option rights (the Option Offer) granted to Premafin shareholders, other than the shareholders of 13,975,294 Premafin ordinary shares, that had availed of their legal right to withdraw upon the Merger and that on the basis of exchange ratios became 698,764 UnipolSai ordinary shares (hereafter referred to as “Withdrawn Shares”) ended on 14 January 2014.
Upon completion of the Option Offer, 5,144 Withdrawn Shares had been acquired in accordance with Article 2437-quater, paragraph 3 of the Civil Code, at a price of euro 3.494 for each Withdrawn Share for a total consideration of euro 17,973.13.

The remaining 693,620 Withdrawn Shares that remained unsold during the Option Offer (the “Unsold Shares”) were listed on the Mercato Telematico Azionario, which is managed by the Borsa Italiana SpA, in accordance with Article 2437-quater, paragraph 4 of the Civil Code.

On 31 January 2014, the offer period on the stock exchange ended and all the 693,620 UnipolSai ordinary shares remained unsold.
Pursuant to Article 2437-quater, paragraph 5 of the Civil Code, the Unsold Shares are to be redeemed by the company itself, by purchasing its own shares through the use of its distributable reserves.
As a result, on 26 February 2014 UnipolSai acquired and paid for the unsold shares, at a price of euro 3.494 for each withdrawn share for a total consideration of euro 2,423,508.28.

The merger led to the establishment of an insurance market leader in Italy, that is focused on insurance business with a strong capital base. UnipolSai can therefore face the challenges of the insurance market also through rationalising of its operations and the application of best practices to the new structures that will result, amongst others, in notable synergies.

Starting from as early as January 2014, a marketing campaign was launched that was specifically developed in order to introduce the new company UnipolSai Assicurazioni to the public. The company will develop its business driven by its experience and by the strength in Italy of its brands, that form part of the local market's history and which now belong to the Unipol Group.

5.9 Atypical and/or unusual transactions

There were no atypical and/or unusual transactions that, due to their significance, importance, nature of the counterparties, transfer pricing procedures, or occurrence close to the end of the year, could give rise to doubts relating to the accuracy and completeness of the information in these consolidated financial statements, a conflict of interest, the safeguarding of the Group's assets or the protection of non-controlling shareholders.

5.10 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test)

In accordance with IAS 36.10, an impairment test was carried out on the goodwill recognised in the consolidated financial statements of Unipol Assicurazioni.

Out of the Cash Generating Units (CGU) identified as at 31 December 2013, for the execution of the impairment test of the Unipol Assicurazioni Group, only those relating to Unipol Assicurazioni have been considered, as the company does not control insurance companies and banks.

At 31/12/2013 the following classification was made in relation to Unipol Assicurazioni:

Non-life CGU	Unipol Assicurazioni – Non-life
Life CGU	Unipol Assicurazioni – Life

In view of the fact that the merger of Unipol Assicurazioni S.p.A, Milano Assicurazioni S.p.A and Premafin HP S.p.A into Fondiaria-Sai S.p.A, that became UnipolSai Assicurazioni S.p.A became effective on 6 January 2014, the plan related to Unipol Assicurazioni - Non-life on a standalone basis has not been updated. Considering 2013 results, the plan drawn up for the previous year's impairment test, for years 2014 – 2017 has been used and for 2018 the same results as in 2017 have been assumed.

Non-life CGU	
Measurement methodology used	As in the previous year the methodology used, was an excess capital type of DDM (Dividend Discount Model) and focused on the future cash flows theoretically available for shareholders, without drawing on the assets needed to support the expected growth and in accordance with the capital requirements imposed by the Supervisory Authority. Under this methodology, the value of the economic capital is the sum of the present value of future cash flows potentially available for distribution and the present value of the terminal value.
Net profits used	Forecast net profits were considered.
Projection period	Five prospective flows were considered.
Discount rate used in 2012	An approach that considers the country risk implicit in the risk-free rate was followed in the determination of the discount rate. A discount rate of 9.59% was used, analysed as follows:: – risk-free rate: 5.36% – beta coefficient: 0.85 – risk premium: 5% The average figure for the 10-year Long-Term Treasury Bond for the period January - December 2013 was used for the risk-free rate. A 5-year adjusted beta coefficient for a sample of companies, listed on the European market and deemed to be comparable, was used. The risk premium risk was deemed to be 5%, in accordance with common practice among financial analysts and the profession in general.
Long term growth rate (g factor) used in 2012	Several significant growth indicators relating to the reference market and to the macroeconomic situation were taken into account. In particular, the annual average market growth rate for 2014-2018 is expected to be 3.6%. The average variation in GDP is expected to be 2.9% in nominal terms. The consumer price index is expected to average approximately 1.2%. In view of this it was deemed appropriate to use a g factor of 2%, in line with the professional practice.
Life CGU	
Recoverable amount of goodwill	In the case of Unipol Assicurazioni – Life, the recoverable amount of goodwill was determined by reference to the value of In Force business and the value of New Business on the basis of discounting the related expected cash flows, as derived from the in-house actuarial model.

Based on the simulations carried out on the parameters outlined above, it is not deemed necessary to adjust the goodwill recognised as at 31/12/2013.

Below are the results of the *impairment* tests carried out and the respective sensitivity analysis.

Table 1

Summary of Impairment of 2013 consolidated financial statement of Unipol Ass

	Goodwill allocation	Recoverable value	Surplus
Non-life business CGU	177,0	2.143,7	1.966,7
Life business CGU	129,7	245,0	115,3
Total	**306,7**	**2.388,7**	**2.082,0**

Table 2

Sensitivity Impairment 2013 summary Unipol Ass consolidated financial statement

Parametri utilizzati	Non-life business
Risk Free	4,28%
Beta	0,95
Risk premium	5%
Short-term discount rate	9,01%
Range	*8,01% - 10,01%*
	0,5%
g factor	2%
Range	*1% - 3%*
Sensitivity	*0,5%*

Table 3

Company	Differences between Recuperable value - Goodwill	Sensitivity (Range Values) Min	Sensitivity (Range Values) Max
Unipol Non-Life	1,967	1,510	2,767
		g=1% *ke=10,01%*	*g=3%* *ke= 8,01%*

5.11 Notes on Non-life business

Note on the process used to determine reserves and to decide on assumptions

The process used to decide on assumptions is intended to result in a neutral valuation (i.e. neither optimistic nor prudent) of liabilities and to produce estimates that are as realistic as possible.
The source of data is internal with trends analysed on the basis of annual statistics and monitored monthly throughout the year.

As far as practicable, assumptions are tested against market statistics.
In instances where information is not available, incomplete or unreliable, estimates of ultimate costs are based on prudent assumptions.
The very nature of insurance business makes it difficult to estimate, with any degree of certainty, the cost of settling a claim. The reserve for each individual claim reported is set by an adjustor and is based on information in his/her possession and on experience of similar cases. Estimates input in the system are periodically updated to reflect new information about a claim. The ultimate cost may vary as the claim develops (for example a deterioration in the injured person's condition in bodily injury cases) or in the event of natural disasters. Estimating ultimate costs is difficult and the complexity thereof varies depending on the class of business.
As the Company's business is concentrated in Italy, the major exposure to catastrophe risks is represented by natural disasters such as earthquakes and floods.
Reinsurance cover is bought to cover this type of risk. This offers different thresholds which are prudently judged on the basis of the results derived from the statistical models used that could impact the company.
Estimates of outstanding claims' costs are set on individual claims reported. The adjusters' estimates are combined with the results of statistical methods such as the 'chain ladder', the 'Bornhuetter Ferguson' and the ACPC (Average Cost Per Claim) and with assessments of the average costs for the financial year (for homogenous groups covering a sufficiently large number of claims).
The Chain Ladder method is applied to paid and incurred claims. The technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.
Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.
The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the incurred claims (Chain-Ladder). The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes.
This technique is used in situations in which developed claims experience are not available for the projection (recent accident years or new classes of business).
The ACPC method is based on a projection of the number of claims to be paid and the relative average costs. This procedure is based on three fundamental assumptions: settlement rate, base average costs and exogenous and endogenous inflation.
These methods extrapolate ultimate claims costs for each accident year and for homogenous groups of risk on the basis of past claim development trends of the Company. If there are any reasons for which the trends registered are considered invalid, some of the development factors are modified and projections are adjusted to available information.
Some examples of instances in which trends are affected are:

- changes in claims handling procedures involving different approaches to settlement/reserving;
- market trends showing increases that are higher than inflation (may be linked to the business cycle or to political, legal or social trends);
- random fluctuations including the impact of 'major' claims.

IBNR is estimated on the basis of internal historical trends, with count and average cost of claims being estimated separately.
As prescribed for in the transition period, technical provisions have not been discounted.

Sensitivity analysis model

The estimated ultimate cost on 2004-2012 accident years amounted to euro 25,612 million at 31/12/2013, consistent with the valuation carried out at 31/12/2012 (euro 25,644 million).
The new estimate takes account of savings on closed claims and adjustments necessary on open claims.
In order to assess the degree of sensitivity of estimates, the impact on ultimate costs under different scenarios is illustrated below:

- The 793 large claims (over euro 800,000 for MV TPL, over euro 400,000 for General TPL and over euro 350,000 for Fire) as a percentage of total reserves in the three classes of business was 21.9%. A 10% assumed variation in the number of large claims will result in a deterioration of reserves of euro 68.6 million.
- Claims handled by other insurers as a percentage of total reserves was 5%. A 5% assumed variation in the valuations made by leading insurers will result in a deterioration in cost of euro 9.7 million.

The assumptions adopted in performing the Liability Adequacy Test (LAT) are as follows:

- increase/decrease of one percentage point in the rate used on the average cost of claims (used in the ACPC method) on Motor TPL and General TPL classes, and an increase/decrease of 10% in the assumptions underlying loss ratio (used in the B-F method).

The below table shows the LAT calculation:
(in millions of euro)

	Before 2002	2002-2003	Total	Differences
Financial statement provisions	300	4.610	4.910	
LAT unfavorable assumption	300	4.498	4.798	-2.28%
LAT favorable assumption	300	4.722	5.022	2.28%

In assessing the above sensitivity results one should note that the analysis was based on a change in an assumption while holding all other assumptions constant and possible correlations were not considered.

Claims Development

The claim development tables below illustrate how the Group's estimate of total claims outstanding for each accident year for 9 years has changed at successive year-ends due to claims settlement or further information being obtained.
The line that shows the difference from the reserve set at the end of the accident year should be analysed separately as subsequent adjustments may already have been recognised in later years' reserves.
Assessing adequacy or inadequacy of reserves on the basis of the figures reported in these tables should be done with caution.

The entity considers its provision for outstanding claims and for IBNR as at the year-end to be adequate based on known facts. However, since these are estimates there can be no absolute certainty of the adequacy of reserves.

Claims development (All classes excluding Assistance) - year 2013

Values in Millions of Euro

Year of event	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Cumulative estimate of claims											
at the end of the year of event	2,624	2,635	2,729	2,877	3,159	3,281	2,930	2,547	2,434	2,193	27.409
a year later	2,570	2,590	2,719	2,901	3,226	3,272	2,796	2,481	2,355		
two years later	2,577	2,583	2,730	2,960	3,323	3,360	2,836	2,518			
three years later	2,573	2,557	2,757	2,997	3,396	3,381	2,839				
four years later	2,559	2,565	2,761	3,011	3,420	3,403					
five years later	2,557	2,565	2,814	3,038	3,426						
six years later	2,566	2,592	2,840	3,042							
seven years later	2,575	2,615	2,837								
eight years later	2,598	2,605									
nine years later	2,587										
Cumulative estimate of claims	2,587	2,605	2,837	3,042	3,426	3,403	3,839	2,518	2,355	2,193	27.805
Cumulative payments	2,474	2,461	2,653	2,806	3,509	2,988	2,428	2,011	1,629	857	23.365
Change compare to the evaluation of the first year	-37	-30	108	165	266	122	-90	-28	-79	0	
Reserved 31/12/2013	113	144	184	236	366	415	411	507	726	1336	4.440
Effects of discounting											
Book value	113	144	184	236	366	415	411	507	726	1336	4.440

The release of IBNR provision at 31/12/2012 shows an under-provision of euro 13.6 million, equivalent to 3.2% of the same provision.

5.12 Notes on Life business

Insurance portfolio analysis

Life Business Consolidated Direct Premiums	Unipol Assicurazioni
Values in Millions of Euro	31/12/2013
Insurance premiums (IFRS4)	2,161.7
change %	*10.7%*
Investment products (IAS39)	16.8
change %	*2.1%*
Total Life premiums	2,178.5
change %	*10.6%*
Composition:	
Insurance premiums (IFRS4)	*99.2%*
Investment products (IAS39)	*0.8%*

Types of premiums

Direct insurance premiums: type of collection	Unipol Assicurazioni
Values in Millions of Euro	31/12/2013
Traditional premiums	1,762.8
Financial premiums	0.5
Pension funds	398.4
Insurance premiums (IFRS4)	2,161.7
of which investments with DPF	830.1
% investment with DPF	*38.4%*

Unipol Assicurazioni Group's insurance premiums continue to be predominantly derived from "traditional" type products that represent 59.8% of total premium income, compared to 18.5% derived by investment product income and 18.8% from occupational pension funds managed by Unipol Assicurazioni.

5.13 Risk Report

The Risk Report provides additional and supporting information to enable stakeholders to evaluate the financial and economic position of Unipol Assicurazioni and its subsidiaries for the purpose of Risk Management as defined by ISVAP Ruling 20, which is currently being updated, and Solvency II regulations, that will come into force from 1 January 2016, and in relation to which measures and guidelines have already been incorporated in EIOPA's interim measures that are effective from 2014.

Internal Control System and Risk Management

Unipol Gruppo Finanziario, which controls Unipol Assicurazioni, in line with the primary objective of ensuring uniformity and consistency across the group in the adoption of policies, procedures and methods of risk governance and controls, adopts a "centralised" organisational model of internal control and risk management. The Board of Directors of Unipol Assicurazioni has deemed it efficient and consistent with its organisational model, to outsource the Audit, Risk Management and Compliance functions to the corresponding structures of the Parent company, UGF, through the conclusion of specific agreements in accordance with the requirements of the applicable regulatory provisions.

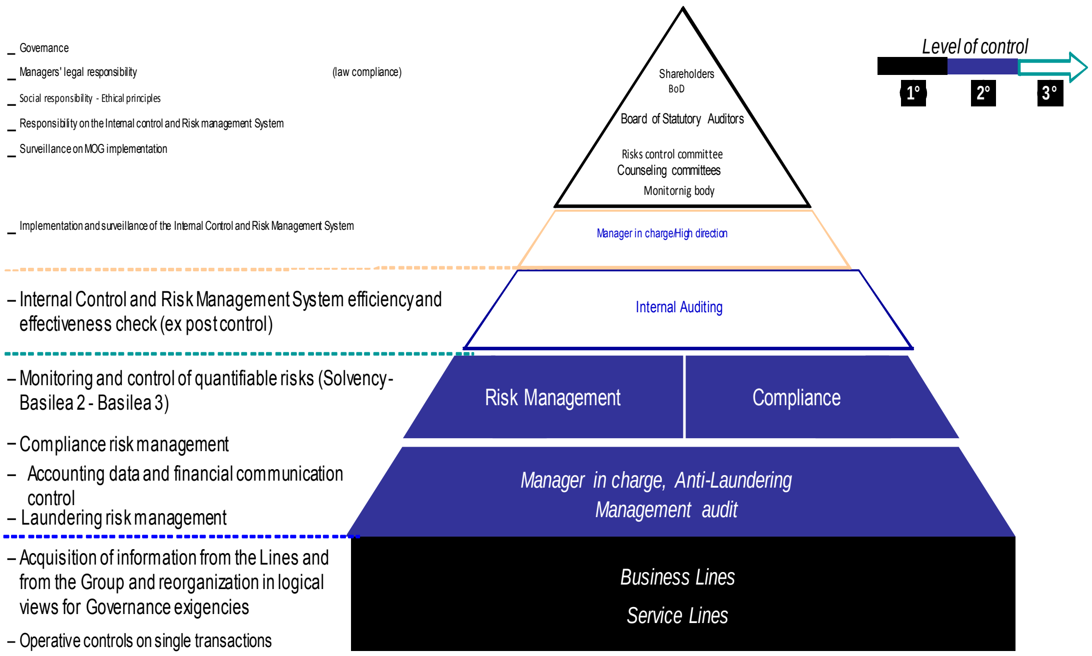
In 2013, the Audit, Risk Management and Compliance functions of UGF therefore carried out activities within their expertise, for Unipol Assicurazioni, whilst developing and maintaining a constant relationship with the latters' governance bodies and senior management. In particular, the risk management processes fit within the broader system of internal controls of Unipol Group, which in its current configuration, is structured on several levels:

- *line controls* (so-called "first-level controls"), aimed at ensuring the proper conduct of operations. These are performed within the same operating structures (e.g. hierarchical, systematic and random controls), even through several units that report to the same operating components, that is, executed within the back-office framework and to the extent possible, they are integrated in the automated procedures. The operating structures are vested with the primary responsibility of risk management. In the course of the day-to-day operations, such structures have to identify, measure, monitor, ease and report the risks arising from the ordinary business activities in conformity with the risk management process. These processes have to ensure the adherence to the established tolerable level of risk and the procedures which define the risk management policy;

- *controls on risk and compliance* (so-called "second-level controls"), which have the objective of ensuring inter alia:
  - the proper implementation of the risk management process;
  - compliance with the operating limits for the various functions;
  - compliance with the corporate business processes and procedures

  The functions identified to carry out such controls are separate from operational functions; they participate in the development of risk management policies and the risk management process.
- *internal audit* (so-called "third-level control"), internal audit procedures which monitor the completeness, functionality and adequacy of the internal control and risk management systems (including controls on the first and second level controls)

The illustrative, and non-exhaustive, diagram below outlines the governance and risk management process within the Unipol Group for the year 2013:



Within Unipol Assicurazioni:

- The **Board of Directors** develops the internal control system policies and evaluates, at least annually, the adequacy, effectiveness and efficiency thereof against the company's characteristics. It is also responsible for the approval of the "Policies on the internal control system and risk management" and the related documents (the Audit Charter and the Risk Management and Compliance Policy).These policies are subject to annual reviews, as approved by the Board of Directors of the Parent Company UGF and endorsed by the subsidiary. Defined within the Risk Management Policy are the guidelines and policies for the identification, measurement, control and mitigation of the most significant risks, in line with the level of risk tolerance of the company. As part of the development of guidelines and risk management, it establishes the level of risk tolerance for the year ("risk appetite"), and approves key policies of risk management. The Board of Directors, in order to manage risks, relies on UGF's Risk Management, which has the task of ensuring at the level of the Unipol Assicurazioni Group, an integrated assessment of the various risks, Enterprise Risk Management (ERM).

- Senior Management is responsible for implementing, maintaining and monitoring the system of internal controls and risk management, in line with the Board's policies. It implements strategies, guidelines and policies of the Board and it ensures that the Board of Directors receives regular information on the adequacy and effectiveness of internal controls.

- The Risk Management function is tasked with the proper assessment of all risks at group level, namely the Enterprise Risk Management (ERM), supporting senior management, the Chief Executive Officer and the Board of Directors in the evaluation of design and effectiveness of the risk management system and reporting back of conclusions which indicate eventual shortcomings and advising on the manner in which the latter can be addressed. The risk management functions operates within the internal framework of the "Own Risk Solvency Assessment'' in the insurance arm of the group with an aim of coordinating the risk management functions operating in the group, in line with best practice and in adherence to the Regulatory guidelines. The primary responsibility of the function rests in the management of risks arising from the operations by having the necessary structures and abilities to run such a process. The risk management department supports the various group activities in the assessment of the impact that strategic decisions have ex ante (before the event) and ex post (after the fact) on the profits, in the screening of particular transactions and monitors the exposure to risk against the acceptable tolerance levels.

It should be noted that following the completion of the Merger, the organisational structure and processes within the new group started to be reorganised. In this regard, the Board of Directors of UnipolSai in its January 2014 meeting approved UnipolSai's new organisational structure which in particular provides that the following control governance functions (Audit, Risk Management, Compliance and Anti-money Laundering) will report directly to the Board of Directors, and will be coordinated by the Officer in charge of the internal control system and risk management.
The Risk Management and Compliance and Anti-money laundering functions report to the Chief Risk Officer (that reports back to the Board of Directors) and has the task of ensuring integrated monitoring of risks.

Organisational Structures: Board committees

A number of board committees have been set up in UGF and Unipol Assicurazioni, in order to carry out proposing, consultative, oversight and implementing functions, as determined by the governance and senior management of UGF and Unipol Assicurazioni.

Risk management system

Risk Management Policy

The risk management policy sets out specific guidelines on the management of risks arising from the business activities undertaken within the Unipol Assicurazioni Group. Such policy identifies strategies, objectives, roles, responsibilities, modality and methodology of analysis with reference to the identification, valuation, control and mitigation of risks arising from all corporate functions.

The policy, therefore, has the following general objectives:

- improving the risk management process;
- supporting the process of defining the strategic objectives by top management;

- introduce an efficient process of identification, assessment, control and mitigation of risks;
- increase the level of knowledge and awareness about the different types of risk;
- spread the culture of risk management.

The following processes fall within the risk management process:

- identification of risks;
- assessment of risks (including the measurement of risks);
- risk controls (including the reporting on such risks);
- mitigation of risks.

Tailored policies have been established to address specific risks. These address appropriately the appetite for, and management of, risk. These include the definition of risk, modality of calculation, the eventual limits and the control mechanism.

The activities of **risk identification** contribute to the identification of risks which are deemed to be significant, the consequences of which can compromise the solvency of the Group Unipol Assicurazioni and Unipol Assicurazioni or pose a serious obstacle for the realisation of corporate goals. Such risks are classified according to a classification that takes into consideration both the group structure and also the specific business considerations arising from the various group operating companies. In particular, the following risk classes emerge:

- Underwriting risk - Life and Non-life Business;
- Financial Risks (Market, Liquidity/ALM);
- Credit risk;
- Operational risk;
- Emerging risks;
- Other risks.

The **valuation** phase consists of the measurement of risk and identifies the incidence that a potential event can have on the carrying out of the corporate business objectives. The measurement is done through the joint use of various methodologies:

Solvency I – The current regulatory method that had introduced minimum capital requirements (required minimum of solvency) and that is calculated on the basis of indicators such as premiums, claims and assets to cover technical provisions.

Solvency II – Internal model for the measurement of the Solvency Capital Requirement – As part of the implementation of the Solvency II regulations, the Unipol Assicurazioni Group is deploying risk management processes in the context of Solvency II, even through the development and utilisation of an Internal Model for the valuation and measurement of individual risk, which utilises sophisticated instruments of financial and actuarial analysis. Through the integration of such risks in the Internal Model, a holistic measurement of the business risks is derived. Such measurement is also made using the standard formula, determined on the basis of the latest QIS (quantitative impact study) with a confidence level equal to 99.5%.

Stress test – Within the ambit of the internal risk management models, stress tests are quantitative techniques with which entities asses their vulnerability for rare, but, possible events. Stress tests assess the effects on the economic, capital and financial position arising from specific events or the joint movement of a number of variables in adverse hypothetical scenarios. Such techniques hence facilitate the acquisition of additional information in connection with the effective exposure to the different risk factors, contributing to the formation of an exhaustive assessment of the adequacy of the capital base of the entity, as well as advising on strategies and the manner in which to deal with such rare events. The risk management function of UGF coordinates the stress tests for Unipol Assicurazioni (and for all the companies operating in the Unipol Assicurazioni Group) in relation to the nature of the risks which are deemed as most relevant to the respective entity's operations. Upon the conclusion of such tests, the risk management function communicates the results of such analysis to the Company and reports also to the Senior management and to the Board of Directors.

Control and reporting

Unipol Assicurazioni Group has established a system of structured internal and external reporting.

Internal reporting in Unipol Assicurazioni Group, directed to the internal group structures, is a strategic instrument and acts to project, plan and monitor capital and risk management process.
Internal reporting represents the official instrument through which:

- the risk management function of UGF communicates to the various business levels, each within their respective remit, the state of risk assessment and any possible breaches of established limits set according to Solvency II specifications.
- the structures within the General Administration, Planning and Controls, Operations of UGF communicate the results of the capital absorption calculations, in line with regulations currently in force.

Following the analysis of the elaborated results, in cases of breaches of established operational limits identified on the basis of the information communicated by UGF's Risk Management, the competent Management, in coordination with the General Administration, Planning and Controls, Operations unit of UGF and with the support of UGF's Risk Management function, defines the remedial actions to be taken with an appropriate time frame, as reported to the appropriate responsibility levels at the company.

In view of the different needs for, and use of, the results produced by the recipients, there are two envisaged reporting types, as required by the stakeholder being served and the type of information needed;

- Reporting on Risk Management;
- Management Reporting.

Reporting on Risk Management: The Risk Management function of UGF and Unipol Assicurazioni have defined and implemented a system of reporting on risk management, with the objective of ensuring timely and continuous monitoring of the evolution of risks and adherence with the limits defined at different levels of business operations.
Reporting on risk management is intended to the Board of Directors, to the relevant committees and senior management in order to act as support in decision-making and strategic planning. This is enabled through the aggregation of information on the Unipol Assicurazioni group-wide risks by Entity and by Segment, according to Solvency II specifications.
In addition, the reporting on risk management is also intended to the operational structures as it provides, granular information on risk, that will assist in the monitoring and support of operational decisions of the business segments. Reports regarding the adequacy of capital and operational limits are communicated to the various operating structures with varying degrees of regularity and formats.

The activities related to the mitigation of risk consist in the identifications and the institution of procedures and corrective actions necessary or useful to mitigate present (or prospective) risks that do not fall within the prescribed operating limits. The most relevant instruments used to mitigate risks are the following;

- Financial hedging transactions;

- Reinsurance;
- Management action;
- Guarantees held in respect of credit risks

Financial hedges: these measures may take the form of hedges on the market using financial derivatives.

Reinsurance: transfers the underwriting risk outside the Group, providing more possibility for business growth, both by proportionally reducing the amounts at risk (e.g. proportional treaties) and by limiting even further the amounts of major claims (e.g. non-proportional treaties).

Management actions: corrective actions specified at corporate governance level, such as restructuring assets and/or liabilities under management or selling assets and/or liabilities (closing items), to be taken if certain events occur.

Guarantees held as a hedge against credit risks: the main type of guarantee available on exposures to reinsurers is represented by deposits with the Group for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depend on the specific nature of the underlying insurance benefits and on the actual duration of the reinsurance agreements, which are renegotiated at the end of each year. If the internal models for calculating risks include mitigation techniques, steps should be taken to ensure that they are compatible with and constantly updated in line with performance. The various mitigation techniques are documented in policies drawn up for the purpose or within existing general policies.

Internal Model

The specifications underlying the Internal Model for the calculation of the Solvency Capital Requirement of Unipol Assicurazioni and of the other companies of the Unipol Assicurazioni Group, has been developed in line with the new Solvency II principles currently being defined.
Value at Risk is used to measure the risk profile of insurance companies using a confidence level of 99.5% over a one year period.
More specifically, in line with the provisions of EIOPA, Unipol Assicurazioni group has established its model according to the following categories of risk:

- Underwriting risks (Non-Life and Life);
- Financial risks (Market, ALM and Liquidity);
- Credit risk;
- Operational and other risks.

Categories of risk are identified and constantly updated by means of continuous and meticulous study of legislation, consideration of the opinions of professional bodies within the sector and contributions from meetings, forum, studies and specialists.
The internal model developed in 2013 was a result of a continuous process of refining the calculation models previously developed, in line with the guiding principles issued on the area.

Under the Internal Model each risk is calculated using suitable measurements and appropriate instruments and combining them by means of a correlation matrix.

Below is a summary of how each risk is calculated, whilst the subsequent paragraphs provide additional information on the calculation procedure and the principal results for each risk.

The **Non-Life underwriting and reserving risk** is measured using an internal model, which meets the requirements of Solvency II legislation, with stochastic methods being used to value underwriting risk (premium and reserve risk).
The Life underwriting and reserving risk is measured using an internal model which is based on an ALM type stochastic approach, which is in line with the principles of Solvency II, that measures at fair value all the elements of assets and liabilities on an embedded basis.

The **market risk** is calculated using an internal model made up of two different sub-models:

- Historical Simulation model (Non-Life portfolio and equity);

- Monte Carlo Life ALM model (Life portfolios).

In managing the Non-Life portfolio and equity, a Value-at-Risk Historical Simulation was carried out. This procedure is based on distributions of empirical probabilities for each risk factor, extrapolated from observations of historical market scenarios.
In managing the Life portfolio, given the specific features of the business, assets and liabilities are valued jointly, bearing in mind the rules determining the return of the segregated accounts and the criteria for revaluing reserves.

In accordance with IFRS, the table in the following paragraphs analyses the main sensitivities.

In relation to **credit risk**, the internal model used in valuing credit risks is the CreditRisk+ framework. This model allows the measurement of the risk of default relative to banking, insurance or reinsurance counterparties, relating to the exposure arising from liquid funds at banks, mitigation of financial risks through derivative contracts and mitigation of underwriting risks through reinsurance arrangements. In addition to this, the model allows the measurement of the risk of default on agent and broker exposures.
In relation to **operational risk**, in order to ensure a complete analysis of the business risk, the Unipol Group has developed an Operational Risk Management framework which identifies, measures, monitors and manages operational risks. This framework also considers the relationship between operational risks and other risks with the objective of assessing direct and indirect effects related to operational risks.

Financial Risks

During the course of 2013 the Investment Policy of Unipol Assicurazioni Group has been updated. The investment policy foresees the number of criteria that act as a basis for the investment policy, the types of investments in which the group should be investing, the composition of the portfolio in the short and medium term, the boundaries within which the investment activity must be contained to ensure that this is in-line with the risk appetite as determined by the Group strategic objectives and which guarantees an adequate diversified portfolio.

Market risk

Market risks arise on the potential losses consequent to the changes in the rates of interest, equity prices, rates of exchange and credit spread.
The following types of risks are considered:

– *Interest rate risk*, being the risk of the possible change in value of financial assets as a consequence of movement in the rates of interest;

– *Equity risk*, being the risk linked to losses arises on equity share prices;

– *Property risk*, being the risk linked to losses arising on adverse movements in property prices;

– *Foreign exchange risk*, being the risk arising on losses on assets and/or liabilities denominated in foreign currencies following an adverse movement in the rates of exchange;

– *Credit spread risk*, being the risk that the value of a portfolio subject to credit is adversely impacted by a potential downgrade in the credit rating of the underlying counterparty.

Market risk is calculated as the Value at Risk which is calculated over a year at a confidence level of 99.5%. For each risk factor a sensitivity and stress analysis is carried out.

Interest rate risk in the context of ALM is measured in terms of mismatch in duration. The mismatch in duration as at 31 December 2013 for Unipol Assicurazioni and its subsidiaries is reported below. Assets include financial securities, property investment funds, investment property, cash and receivables. Liabilities include financial liabilities and technical reserves. The gap is then recalculated by considering the effect of off-balance sheet items.
The duration mismatch on Life business is equal to -2.18 and on Non-life business equal to 1.33.

Equity risk is the risk associated with change in the value of equity assets as a result of volatility of market prices of equity.

Property risk is the risk associated with losses incurred as a result of adverse movements in the price of property assets.
The assets which are included to calculate the property risk include: property funds, properties owned directly and the direct or indirect holding in real estate projects.
In relation to directly owned property, the value used to calculate the risk (fair value) is the estimate provided by independent architects.

Currency risk in the context of ALM is defined as the risk of a possible variation in the value of asset and liabilities and the net asset value as a consequence of the unfavourable variation in the exchange rate and the volatility of the same. On the basis of the Unipol Assicurazioni Group's Investment Policy, the net exposure to investments, other than those denominated in Euro, has to be limited at 3% of the total investments.
The exposure of the Unipol Assicurazioni Group to exchange risk does not result to be significant.

Credit spread risk is the risk associated with changes in the value of the bonds due to volatility of credit risks associated with the credit rating of individual issuers.

The sensitivity of Unipol Assicurazioni's[1] financial assets to market risk is disclosed below. The sensitivity is calculated as the variation of the market price of assets in the wake of the shocks that are consequent to:

- a parallel variation of the interest rates equivalent to + 10 basis points;
- variation of -20% in equity prices;
- variation equal to +10 basis points in the credit spread.

	Unipol Assicurazioni Non-Life		Unipol Assicurazioni Life		Total	
Values in Millions of Euro	Economic impact	Financial impact	Economic impact	Financial impact	Economic impact	Financial impact
Sensitivities rate (+10 bps)	-0.14	-16.7	12.5	-56.63	12.36	-73.33
Sensitivities credit spread (+10 bps)	-0.11	-22.05	1.23	-61.12	1.12	-83.17
Sensitivities Equity (-20%)	-8.1	-75.34	-4.07	-78.69	-12.17	-154.03

(valori al 31 dicembre 2013 espressi in milioni di euro)

The figures include the value of hedging derivatives.

[1] The analysis has been carried out only on Unipol Assicurazioni, as the data from subsidiaries is considered insignificant for the measurement of market risk

Liquidity risk

The Unipol Assicurazioni Group faces ***liquidity risk*** in instances when the committed cash outflows (whether expected or unexpected) require the disposal of less liquid assets, which have dissimilar conditions, hence compromising the solvency position. The liquid resources of the Unipol Assicurazioni Group arise from the management of Life and Non-Life insurance business, and from funding transactions through loan issues. The fundamental principles, which underpin the management of liquidity risk rest on the following:

- centralising the Liquidity Management Functions at Unipol Group level;
- managing structural liquidity by keeping a balance between liabilities and investments in noncurrent assets in order to avoid pressure on the short-term liquidity position;
- managing short-term liquidity in order to have sufficient liquidity to fulfil short-term commitments, both foreseeable and unforeseeable, by keeping a suitable balance between in-flows in and outflows;
- an investment policy, which foresees an elevated level of investments in liquid bank deposits and sovereign debt in the Euro zone.

The possible gaps in liquidity, both from a structural and strategic perspective are considered weekly through the maturity ladder. The net liquidity requirement is benchmarked against the reserve of liquid or easily converted liquid assets.

On an annual basis, the investment policy is updated and approved by the Board of Directors of the parent company UGF and of the Board of Directors of Unipol Assicurazioni. This policy details the criteria and basis of the investment policy, the types of policies, which determine in which assets the group should invest, the composition of the portfolio in the medium to the long term, and the limits for assets in terms of asset allocation and financial risk.

Credit risk

Generally ***credit risk*** represents:

1. the risk that a debtor or a guarantor under an enforcement order may wholly or partially fail to honour its commitment to Unipol Assicurazioni and the Group (customer or borrower risk);
2. the risk of deterioration of the creditworthiness of an issuer of financial instruments (issuer risk).

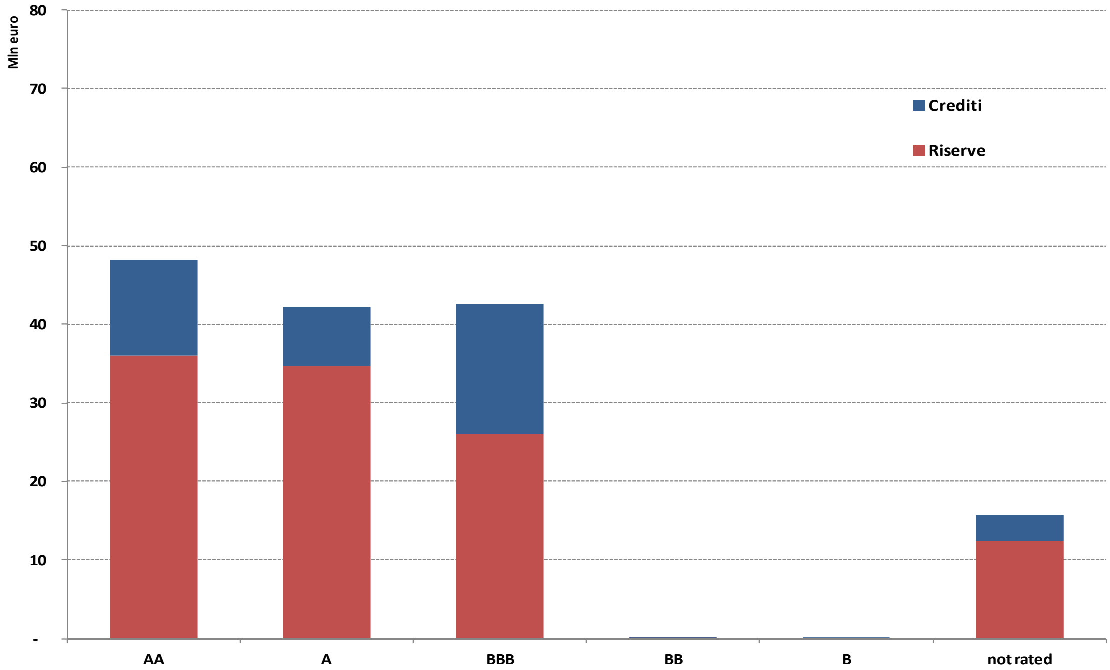
Unipol Assicurazioni is exposed to credit risk in the following principal operations: insurance and re-insurance outwards.
During the course of 2012, the Unipol Assicurazioni Group's Credit policy has been updated. This document (which had originally been approved as a first version in 2009 by the Board of Directors of the parent UGF and extended to Unipol Assicurazioni and the other group companies), streamlines and limits the exposure to credit risk in a manner to ensure that the maximum exposure with a counterparty is in line with the risk appetite as defined by the strategic objectives of the Unipol Assicurazioni Group, hence ensuring the proper diversification of the portfolio.

Surertyship class of business of Unipol Assicurazioni
This risk is calculated with underwriting risk (see relevant section) and monitored by the UGF Group's Credit Risk Committee.

Outwards reinsurance
The exposure to credit risk is divided into:

- liquid receivables already due in the reinsurers statements of balance, listing balances on each policy in the period and those still outstanding;
- potential estimated receivables (which will become due at the time of payment to the policyholder at relative amounts) for reinsurers' share of technical provisions. The exposure to technical reserves is always net of any deposits retained or other collateral guarantees (e.g. LoC, parent company's and reinsurers' commitments, etc.).

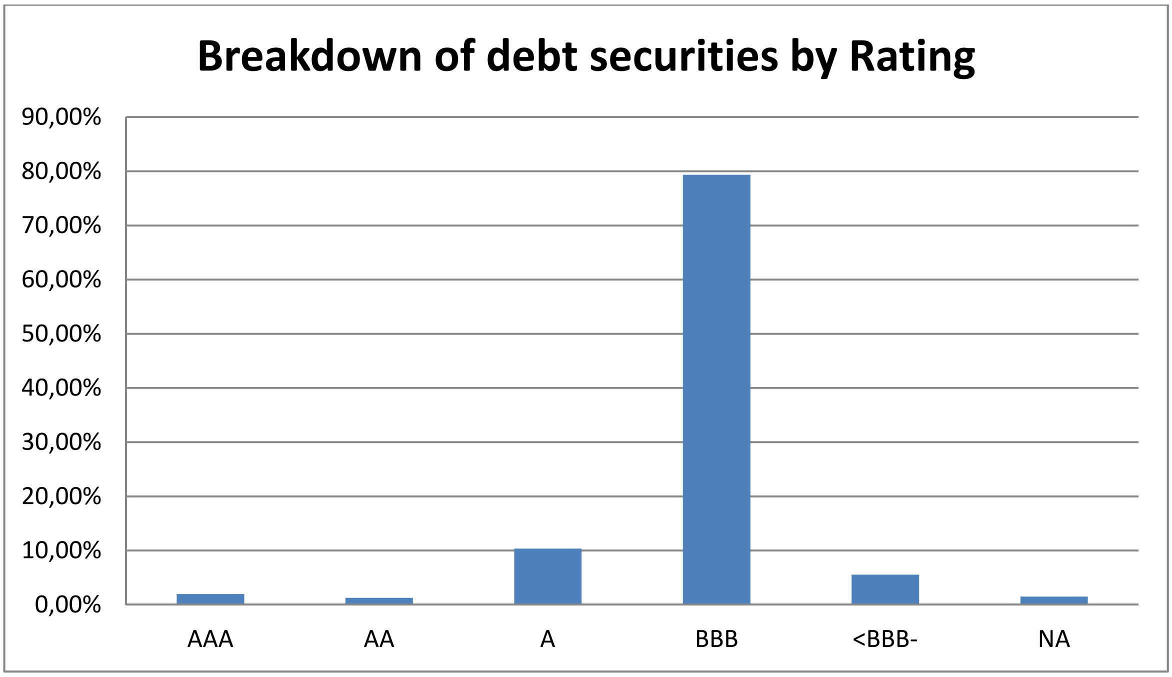
The table below reports the distribution of the receivables from reinsurers and their share of technical reserves categorised according to the respective credit rating (values are expressed in millions of euro, net of intra-group reinsurance).



Debt securities issuers' risk

The credit risk on debt securities is monitored with the market risk in the context of the volatility of the credit spread and with the credit risk in the light of the probability of default of the issuer and the relative loss given default.

The table below reports the distribution of the debt securities of Unipol Assicurazioni[2], categorised by the respective rating.



Information relating to exposure to sovereign debt securities referred to in Consob Note DEM/11070007 of 5/8/2011

In accordance with Consob Note DEM/11070007 of 5 August 2011 and the subsequent ESMA document 2011/397 of 25 November 2011, relating to information to be provided in annual and interim financial reports on listed companies' exposures to sovereign debt securities and current trends in international markets, details are provided of sovereign exposures (i.e. bonds issued by central and local governments and by government organisations and loans granted to them) held by the Unipol Assicurazioni Group at 31 December 2013, broken down by type of portfolio, nominal amount, carrying amount and fair value.

[2] The analysis was carried out only on Unipol Assicurazioni, since the subsidiaries, with reference to the debt securities, are of insignificant values

	Consistencies at 31 december 2013		
Values in Millions of Euro	Nominal amount	Carrying amount	Market value
Italy	12,575.0	11,482.2	11,4
Available-for-sale financial assets	9,287.7	8,864.3	8,864.3
Financial assets held to maturity	820.4	808.7	853.2
Loans and receivables	2,003.8	1,773.8	1,634.2
Financial assets at fair value through profit or loss	363.1	35.3	35.3
Spain	573.4	548.7	545.5
Available-for-sale financial assets	467.6	466.6	466.6
Financial assets held to maturity	56,0	56.3	60.2
Loans and receivables	49.8	25.8	18.6
Germany	230.8	239.6	249.8
Available-for-sale financial assets	50.8	58.6	58.6
Financial assets held to maturity	180,0	181,0	191.2
France	53,0	52.6	56,0
Available-for-sale financial assets	3,0	3.3	3.3
Financial assets held to maturity	50,0	49.4	52.8
Ireland	62.2	67,0	67.3
Available-for-sale financial assets	52.2	56.7	56.7
Loans and receivables	10,0	10.3	10.6
Portugal	93.9	92.8	94,0
Available-for-sale financial assets	40.9	40,0	40,0
Financial assets held to maturity	53,0	52.8	54,0
Belgium	28,0	27.9	30.4
Available-for-sale financial assets	3,0	3.3	3.3
Financial assets held to maturity	25,0	24.6	27.1
Canada	25,0	29.3	29.3
Available-for-sale financial assets	25,0	29.3	29.3
Netherland	8,0	9.3	9.3
Available-for-sale financial assets	8,0	9.3	9.3
Slovenia	32,0	33.2	33.2
Available-for-sale financial assets	32,0	33.2	33.2
Austria	5,0	5.1	5.1
Available-for-sale financial assets	5,0	5.1	5.1
Polonia	7,5	8.7	8.7
Available-for-sale financial assets	7,5	8.7	8.7
Slovacchia	0,3	0.3	0.3
Available-for-sale financial assets	0,3	0.3	0.3
TOTAL	13.694,0	12,596.8	12,516.1

In aggregate, the total value of the exposure to sovereign debt as at 31 December 2013 amounted to euro 12,596.8 million, of which 91% was concentrated in stocks issued by the Italian Government.

Underwriting risks

Risks relating to Life portfolios

In order to evaluate Life risks, a stochastic internal model has been adopted in line with the new principles laid down in Solvency II, which entail estimating the 'fair value' of all asset and liability items in view of how they relate to one another in various scenarios. In particular the internal model evaluates the impact, in terms of capital absorption (Internal Capital Requirement), of the following risk factors:

- mortality/longevity risk, understood as the increase (mortality risk) or decrease (longevity risk) in death rates with those expected;
- lapse risk, understood as the variation (increase/decrease) in surrendered policies compared with those used to calculate premiums;
- expense risk, understood as the increase in contractual and business expenses compared with those expected;
- Catastrophe risk, understood as the instantaneous increase of the probability of death, caused by a catastrophic event such as pandemic or war;

Life insurance risks have also been assessed by means of a stress test approach, using quantitative future analyses obtained by varying the most significant sources of risk in respect of the basic scenario.

Mortality risk

Unipol Assicurazioni applies a policy risk assumption, which is diversified by sales channel and type of tariff. Great attention is paid, in particular, on the assumption of the term life insurance policies where the procedures provide for limits both on age and capital. Before this category of policy can be issued, a questionnaire must be completed giving details of health, occupation and sporting activities, and, depending on the replies provided, the policy may be issued by the intermediary directly or only after Head Office has added exceptions and possibly applied additional premiums relating to health, occupation or sporting activities. If sums assured or age exceed the underwriting limits assigned to the sales network, Head Office is asked to assess the risk by examining the health facts in the particular case with the help of its medical consultant. If sums assured exceed certain amounts, the risk is assessed in collaboration with the reinsurer.

Only Head Office may issue group death benefits policies, if necessary in collaboration with the reinsurer, the questions relating to health being laid out in a grid based on brackets of sum assured and agreed with the reinsurer.

The quality of underwriting carried out by Unipol Assicurazioni companies is illustrated by comparing the actual death rate in the portfolio with the theoretical death rate in the same portfolio.

This comparison shows an actual death rate that is significantly lower than the theoretical death rate.

As regards the amounts of death benefits, as already indicated, Unipol Assicurazioni has recourse to risk-premium types of reinsurance cover that are in line both with the nature of the products sold and with the retention levels that are appropriate for the equity structure of the individual companies. Unipol Assicurazioni's principal Life reinsurers are financially very sound.

Annuity option

Some Life policies offer the customer the possibility of opting for a benefit that can be paid in the form of an annuity instead of the capital on maturity. The trend of people to live longer means that these policies expose Unipol Assicurazioni to a longevity risk. For some years now this risk has been limited in the case of new policies by postponing the moment when the annuity coefficient is calculated and the minimum guaranteed rate is fixed to the time when the benefit is paid. Mathematical provisions have been increased in the case of contracts already in the portfolio, for which the annuity rate is guaranteed and based on demographic trends that have not been updated.

Deferment option

Unipol Assicurazioni offers customers, with certain types of policies the possibility of deferring the capital assured on maturity in whole or in part for a number of years as decided by the policyholder. If the policyholder

dies during the deferment period the designated beneficiaries receive the capital revalued as at the date of death. At the specific request of the policyholder the policy may be surrendered in whole or in part at any time. In the event of partial surrender the remaining capital will continue to be subject to revaluation until the policy matures in accordance with the terms in force at the time that the option is exercised.
The deferment option does not lead to additional risks in terms of guaranteed minimum, apart from the company's commitment. Therefore, since 1998 the deferment option in the policy terms has stipulated that the option be based on the terms in force at the time it is exercised.
The propensity to exercise this option is assessed by analysing the forfeitures applied to the portfolio in order to monitor the commitments underwritten, with particular reference to the levels of financial guarantee and to the trends in the adjustments made to the benefits provided for under the policies.

<u>Option guaranteed minimum rate</u>
Unipol Assicurazioni sells many products with returns linked to the results of separately managed funds. In most cases, these products offer guaranteed minimum rates of return and therefore the company is exposed to the risk of not getting higher returns on the invested assets in line with those paid to policyholders. In view of the variations in market interest, and in compliance with regulations issued by the Supervisory Authority, the minimum guaranteed rate products offered in the market have been gradually reduced over the last few years and today are equal to 1.5% and 2% depending on market tariffs. Most tariffs provide for accumulated guaranteed returns paid within a predefined term, instead of annual returns.
The portfolio contains policies issued in previous years, which provide for higher guaranteed minimum rates than those now being marketed. Consequently, the minimum guaranteed rate on the average outstanding portfolio is lower than that recorded in the previous year.
The risk associated with these options is monitored and assessed using methods and tools that allow a quantitative management of the risks assumed by Unipol Assicurazioni in favour of a reduction in earnings volatility and allowing optimum allocation of financial resources.

Mathematical provisions of Unipol Assicurazioni have been adjusted in order to cater for the risk of a possible discrepancy between the expected rates of return on assets matching the technical provisions linked to separately managed accounts and the liabilities underwritten and in order to comply with the provisions of ISVAP Ruling 21 of 28 March 2008 (in accordance with Ruling 1801G of 2001).
IFRSs also stipulate that a Liability Adequacy Test must be carried out in order to assess that technical provisions are sufficient to cover the guaranteed benefits offered.
In carrying out the test on the principal segregated accounts, Unipol Assicurazioni has used the tools already provided for carrying out analyses in accordance with Ruling 1801G and extended the valuations to a duration of 25 years.

Non-life portfolio risks

During 2013, Non-life underwriting risks were measured using the Non-life Internal Model, consistent with the principles of Solvency II. The components of the model that measures risks in the Non-life portfolio has been subject to significant developments in order to adequately reflect the risk profile of the new Group.

In particular, a Frequency Severity model has been adopted in the measurement of underwriting risks that also measures capital at risk:

- separately for large claims. The threshold for segregation of claims is calculated by using statistical methods;
- taking account of reinsurance agreements;
- using a model to estimate operating costs.

In measuring Reserve risk, various stochastic models are used for each line of business that are based on historic payment data, the joint consideration of the latter and outstanding reserves and on the average cost and number of claims, gross and net of reinsurance arrangements.

With regard to catastrophe risk, calculations were carried out using standardized scenarios proposed by EIOPA, in which the following are taken into consideration:

- natural disasters such as earthquake, flood and hail;
- man-made disasters, such as large fires, acts of terrorism;
- risks associated with the segment "health", such as the risk of a pandemic.

With regard to Earthquake risk, during 2013, a software selection process was conducted that led to the purchase of one of the leading analytical assessments of such risk, with the aim of having a tool that supports the Group, as well as the calculation of risk capital, even in Underwriting and Pricing and in the development of the reinsurance strategy.

Risk Management works with Non-life business in setting tariffs in order to introduce risk parameters in the pricing models. A risk-adjusted technical pricing model allows for uniform coverage of the expected costs of the various guarantees given and a return on capital absorbed by these guarantees consistent with the risk profile and objectives of the Group's performance.

Operational Risk

Operational Risk Management Framework

In order to ensure a complete analysis of operational risks, Unipol Group has developed a framework to identify, measure, monitor and manage operational risks. This is defined as *"the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events"*. On the basis of the Operational Risk Framework, relationships and reciprocal effects between operational risks and other risks, with the objective of assessing direct and indirect effects of operational risks are also considered. In particular, the analytical procedures adopted are used to assess within a random logic, the risk factors and the effects, both monetary and non-monetary, and their impact on the Group's solvency and on the achievement of its set objectives.

As part of the governance system of the Group, the monitoring of operational risks is the responsibility of the Operational risk function within Risk Management of the parent company Unipol Assicurazioni. The objectives of this function is to ensure the safeguarding of the Group's assets, adequate control of risks and the efficiency and effectiveness of business processes.

In relation to the classification of Operational Risk, the model adopted is an event-type model that was developed by the banking sector (Basel II) and to which reference is currently made under Solvency II.
During the year, Unipol Group has integrated the management of operational risk through the development of an internal process.
The method requires the following:

- a network of analysts in different lines of business that operate in accordance with the methodology established by Risk Management;
- the methodology for risk assessment is carried out by using an internal statistical model.

Regardless of the activity within the scope of the methodologies, risk assessment is carried out regularly in the main operating companies of the Group.

The methodologies for management of IT operational risks are still under review, also following regulations issued by the Central Bank of Italy with specific references that require specific consideration. Risk Management is working with other group functions on this in a dedicated process.

Capital allocation policies

Risk Appetite

The level of risk tolerance (risk appetite) is defined as the amount of risk capital[3] that the Board of Directors of Unipol Assicurazioni fixed as the maximum tolerable loss without prejudice to the company's business continuity. The risk appetite is determined as the amount of maximum sustainable loss at a given confidence level over a time period of one year. Risk appetite is classified by risk factor and business area.
The calculations are performed on the volumes of prospective growth, the business plan or budget, calculated with a confidence level equal to 99.50% set by the Solvency II Directive, which is currently being developed. The other elements taken into account as variables in the determination of risk appetite can be grouped into three types: rating, risk / profitability and solvency.

ORSA

As part of their risk management system, Unipol Assicurazioni and the other companies' in scope of the Risk Policy adopt ORSA (Own Risk Solvency Assessment) principles in assessing completeness and effectiveness of the risk management system.

The primary objective of the internal process is to ensure that the firm evaluates all risks inherent to its operations and determines the corresponding capital requirements. That assessment shall include at least the overall solvency needs taking into account the specific risk profile, the approved risk tolerance limits and the business strategy of the company. The assessment is done on actual and future positions.
To this end, the company develops and puts in place processes that are proportionate to the nature, scale and complexity of its activities, which enable it to identify and assess the risks that it is, or may be, exposed to in the short and long term.

Within the ICAAP and ORSA report the following are explained: i) the regulatory framework, ii) the economic environment, iii) the scope of the analysis, iv) the roles and responsibilities of the committees and departments involved in the process v) the procedures for identifying, measuring and mitigating risk; vi) the links between risk assessment and the process of capital allocation, explaining the deviations from the risk appetite defined for the time horizon of the business plan vii) the definition of the procedures for the procurement of any additional capital viii) the definition of management actions used for the purposes of the assessment and a description of their impact; ix) the internal reporting and to the Supervisory Authorities.

[3] By capital at risk, or economic capital, is meant the capital requirement for a specific risk where it is thought necessary to cover losses above a given expected level. (This definition assumes that the expected loss is met by the technical provisions.) The economic capital for all the major risks underwritten by the company is defined as total economic capital.

Consolidation scope

Name	State		Registered office	Method (1)	Activity (2)	% Direct holding	% Indirect holding	% Total participating interest (3)	% votes available at ordinary General meeting (4)	% consolidation
Midi Srl	086	Italy	Bologna	G	10		100,00% Unipol Assicura			100,00%
Unifimm Srl	086	Italy	Bologna	G	10		100,00% Unipol Assicura	100,00%		100,00%
Smallpart Spa	086	Italy	Bologna	G	9		100,00% Unipol Assicura	100,00%		100,00%
Unipol Assicura	086	Italy	Bologna	G	1		100,00% Unipol Assicura	100,00%		100,00%
Punta di Ferro	086	Italy	Bologna	G	10		100,00% Unipol Assicura	100,00%		100,00%
Comsider srl	086	Italy	Bologna	G	10		100,00% Covent Garden	100,00%		100,00%
Covent Garden	086	Italy	Bologna	G	11	100,00%		100,00%		100,00%

(1) Consolidation method: On a line-by-line basis=G, Proportional=P, on a line-by-line basis as per coordinated management=U

(2) 1=italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holding; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=real estate companies; 11=other

(3) is the product of the percentage holdings relating to all the companies that may lie somewhere along the chain between the company that draws up the consolidated financial statements and the company in question. If the latter is a direct participating interest of several subsidiaries the individual products must be added up.

(4) Total percentage of votes available at ordinary General Meetings if different from the direct or indirect investment.

Details of unconsolidated investments

Name	State		Registered office	Activities (1)	Type of business (2)	% Direct holding	% Indirect holding			% total participating interest (3)	% votes available at ordinary General Meeting (4)	Carrying amount (Values in Thousands of Euro))
Unipol Banca Spa	086	Italy	Bologna	7	*		32,26%	Unipol Assicur:	U101	32,26%		
Hotel Villaggio Città del Mare Spa In Liquidazione	086	Italy	Terrasini (Pa)	11	b		49,00%	Unipol Assicur:	U101	49,00%		
Euresa Holding SA	092	Luxembourg	Città del Lussemburgo	4	b		25,00%	Unipol Assicur:	U101	25,00%		
Assicoop Modena & Ferrara Spa	086	Italy	Modena	11	b		43,75%	Smallpart Spa	U010	43,75%		
Assicoop Bologna Spa	086	Italy	Bologna	11	b		40,21%	Smallpart Spa	U010	40,21%		
Assicoop Siena Spa	086	Italy	Siena	11	b		49,00%	Smallpart Spa	U010	49,00%		
ZIS Fiera 2 - Consorzio	086	Italy	Bologna	11	b	31,72%		Midi Srl	U133	31,72%		
Fondazione Unipolis	086	Italy	Bologna	11	a		100,00%	Unipol Assicur:	U101	100,00%		
Assicoop Imola Spa	086	Italy	Imola (Bo)	11	b		47,33%	Smallpart Spa	U010	47,33%		
Assicoop Firenze Spa	086	Italy	Florence	11	b		44,00%	Smallpart Spa	U010	44,00%		
Pegaso Finanziaria Spa	086	Italy	Bologna	9	b		45,00%	Smallpart Spa	U010	45,00%		
EuroMilano Spa	086	Italy	Milan	10	b		14,86%	Unipol Assicur:	U101	14,86%		7,4
Assicoop Grosseto Spa	086	Italy	Grosseto	11	b		50,00%	Smallpart Spa	U010	50,00%		
Assicoop Emilia Nord Srl	086	Italy	Parma	11	b		50,00%	Smallpart Spa	U010	50,00%		4,8
Assicoop Romagna Futura Srl	086	Italy	Ravenna	11	b		50,00%	Smallpart Spa	U010	50,00%		4,2

(1) 1=italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holding; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=real estate companies; 11=other

(2) a=subsidiaries (IAS27); b=associates (IAS28); c=joint ventures (IAS31); please mark with (*) the companies available for sale in accordance with IFRS 5 and write the legend at the foot of the statement

(3) is the product of the percentage holdings relating to all the companies that may lie somewhere along the chain between the company that draws up the consolidated financial statements and the company in question. If the latter is a direct participating interest of several subsidiaries the individual products must be added up.

(4) Total percentage of votes available at ordinary General Meetings if different from the direct or indirect investment.

Statement of financial position by business segment

	Values in Millions of Euro	Non-Life business		Life business		Real Estate		Intersegment eliminations		Total	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
1	INTANGIBLE ASSETS	233,1	212,9	138,1	138,6	0,5	0,7			371,6	352,3
2	PROPERTY, PLANT AND EQUIPMENT	239,3	252,1	0,0	0,0	114,8	143,9			354,1	396,0
3	REINSURERS' SHARE OF TECHNICAL PROVISIONS	246,8	296,9	58,9	68,3					305,8	365,2
4	INVESTMENTS	6.614,5	6.416,1	14.912,9	13.656,0	347,2	292,9	0,0		21.874,6	20.365,0
4.1	Investment property	317,9	330,1	0,0	0,1	347,0	290,1			664,9	620,4
4.2	Investments in subsidiaries, associates and joint ventures	167,9	222,3	77,5	110,9	0,3	0,3			245,7	333,5
4.3	Investments held-to-maturity	714,5	814,7	773,5	939,7					1.488,1	1.754,3
4.4	Loans and receivables	1.518,5	1.695,3	2.461,2	2.758,8	0,0	2,5			3.979,7	4.456,6
4.5	Available-for-sale financial assets	3.823,9	3.258,1	8.424,0	6.728,5	0,0	0,0			12.247,8	9.986,6
4.6	Financial assets at fair-value through profit or loss	71,8	95,5	3.176,7	3.118,1					3.248,5	3.213,6
5	OTHER RECEIVABLES	847,7	898,5	363,4	295,5	3,7	19,7	-0,3	-0,3	1.214,5	1.213,4
6	ALTRI ELEMENTI DELL'ATTIVO	309,8	321,5	95,4	181,9	1,5	1,7			406,6	505,1
6.1	Deferred acquisition costs	0,9	1,8	13,1	12,8					14,0	14,7
6.2	Attività fiscali correnti	308,9	319,7	82,3	169,1	1,5	1,7			392,6	490,4
7	CASH AND CASH EQUIVALENTS	818,0	239,5	187,3	331,4	17,0	5,4			1.022,3	576,3
	TOTAL ASSETS	9.309,2	8.637,4	15.756,0	14.671,8	484,6	464,2	-0,3	-0,3	25.549,5	23.773,2
1	EQUITY									2.861,8	1.909,8
2	PROVISIONS	134,6	57,2	2,0	2,0	7,3	7,9			143,9	67,1
3	TECHNICAL PROVISIONS	6.256,5	6.532,1	13.670,3	12.674,2					19.926,8	19.206,3
4	FINANCIAL LIABILITIES	749,4	761,2	1.062,0	1.036,2	2,4	0,5			1.813,8	1.797,9
4.1	Financial liabilities at fair value through profit or loss	43,1	54,3	565,3	632,5					608,4	686,8
4.2	Other financial liabilities	706,4	706,9	496,7	403,7	2,4	0,5			1.205,4	1.111,1
5	PAYABLES	352,6	305,9	28,1	36,4	9,2	22,6	0,0	-0,3	389,5	364,6
6	OTHER LIABILITIES	340,7	276,6	73,0	151,0	0,0				413,7	427,6
	TOTAL EQUITY AND LIABILITIES									25.549,5	23.773,2

Income statement by business segment

	Values in Millions of Euro	Non-Life business 31/12/2013	Non-Life business 31/12/2012	Life business 31/12/2013	Life business 31/12/2012	Real Estate 31/12/2013	Real Estate 31/12/2012	Intersegment eliminations 31/12/2013	Intersegment eliminations 31/12/2012	Total 31/12/2013	Total 31/12/2012
1.1	Net premiums	3.482,1	3.625,8	2.155,3	1.943,8					5.637,4	5.569,5
1.1.1	*Gross premiums*	*3.640,4*	*3.747,8*	*2.162,9*	*1.953,8*					*5.803,3*	*5.701,7*
1.1.2	*Reinsurance premiums*	*-158,3*	*-122,1*	*-7,7*	*-10,1*					*-165,9*	*-132,1*
1.2	Fee and commission income	6,2	6,7	4,6	4,0					10,8	10,6
1.3	Gains and losses on financial instruments at fair-value through profit or loss	-10,5	11,5	186,1	196,3					175,6	207,8
1.4	Income from investments in subsidiaries, associates and joint ventures	3,5	2,8		0,8					3,5	3,6
1.5	Income from other financial instruments and investment property	343,1	282,9	545,9	568,5	7,8	6,9			896,7	858,3
1.6	Other income	35,6	35,7	16,2	12,2	16,8	10,8	-4,2	-4,0	64,4	54,6
	TOTAL REVENUES	3.859,9	3.965,3	2.908,1	2.725,6	24,6	17,7	-4,2	-4,0	6.788,4	6.704,6
2.1	Net insurance claims	-2.192,1	-2.539,4	-2.567,0	-2.460,7					-4.759,1	-5.000,1
2.1.1	*Amounts paid and changes in technical provisions*	*-2.230,6*	*-2.648,9*	*-2.571,8*	*-2.468,9*					*-4.802,5*	*-5.117,8*
2.1.2	*Reinsurers' share*	*38,5*	*109,6*	*4,8*	*8,2*					*43,4*	*117,7*
2.2	Fee and commission expense	-6,4	-6,6	-3,4	-2,9					-9,8	-9,5
2.3	Losses from investments in subsidiaries, associates and joint ventures	-62,5	-0,1	-36,7				0,0		-99,2	-0,1
2.4	Losses from other financial instruments and property	-86,1	-146,7	-137,5	-93,7	-12,0	-8,8			-235,5	-249,2
2.5	Management expenses	-941,2	-898,6	-90,1	-86,9	-7,6	-5,1			-1.039,0	-990,6
2.6	Other costs	-194,0	-69,4	-28,5	-20,0	-2,1	-1,9	4,2	4,0	-220,5	-87,3
2	TOTAL COSTS	-3.482,3	-3.660,7	-2.863,2	-2.664,3	-21,7	-15,8	4,2	4,0	-6.363,1	-6.336,7
	NET PROFIT (LOSS) BEFORE TAX	377,7	304,7	44,9	61,3	2,9	1,9	0,0		425,4	367,9

Details of property, plant & equipment and intangible assets

Values in Millions of Euro	At cost	At restated value or at fair value	Total carrying amount
Investment property	664,9		664,9
Other property	321,9		321,9
Other tangible assets	32,2		32,2
Other intangible assets	64,9		64,9

Details of financial assets

	Investment held to maturity		Loans and receivables		Available-for-sale financial assets		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets designated at fair			
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Equity instruments and derivatives at cost					51,6	33,4	0,0	0,0	0,0	0,0	51,6	33,4
Equity instruments at fair value					617,2	871,1	13,7	10,2	42,1	39,4	673,1	920,7
of which listed securities					*556,4*	*642,7*	*0,0*	*10,2*	*42,1*	*39,4*	*598,5*	*692,3*
Debt securities	1.488,1	1.754,3	3.462,3	3.939,1	11.428,7	8.917,5	158,4	231,6	2.670,4	2.569,8	19.207,9	17.412,3
of which listed securities	*1.098,9*	*1.098,5*	*0,0*	*0,0*	*10.422,8*	*7.806,4*	*86,0*	*137,8*	*2.655,3*	*2.499,8*	*14.262,9*	*11.542,5*
UCITS					150,4	164,5	60,5	77,2	201,8	168,7	412,6	410,5
Loans and receivables from bank customers			0,0	0,0							0,0	0,0
Interbank loans and receivables			0,0	0,0							0,0	0,0
Deposits with ceding companies			16,3	15,4							16,3	15,4
Financial receivables on insurance contracts									46,9	82,3	46,9	82,3
Other loans and receivables			501,1	502,1							501,1	502,1
Non-hedging derivatives							47,4	33,9	0,0	0,0	47,4	33,9
Hedging derivatives							7,2	0,5	0,0	0,0	7,2	0,5
Other financial investments			0,0	0,0					0,0	0,0	0,0	0,0
Total	1.488,1	1.754,3	3.979,7	4.456,6	12.247,8	9.986,6	287,2	353,4	2.961,2	2.860,2	20.964,1	19.411,1

Details of assets and liabilities relating to contracts issued by companies where the investment risk is borne by policyholders and arising from pension fund management

	Benefits linked to investment funds and indexes		Benefits linked to pension fund management		Total	
Values in Millions of Euro	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Assets	331,4	453,1	2.629,8	2.407,1	2.961,2	2.860,2
Intragroup assets*	0,0	0,0	0,0	0,0	0,0	0,0
Total assets	331,4	453,1	2.629,8	2.407,1	2.961,2	2.860,2
Financial liabilities	109,9	115,4	134,8	119,7	244,7	235,1
Technical provisions	221,5	337,7	2.495,0	2.287,4	2.716,6	2.625,1
Intragroup liabilities*	0,0	0,0	0,0	0,0	0,0	0,0
Total liabilities	331,4	453,1	2.629,8	2.407,1	2.961,2	2.860,2

* Assets and liabilities eliminated on consolidation

Details of reinsurers' share of technical provisions

Values in Millions of Euro	Direct business		Inward business		Total carrying amount	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Non-Life provisions	236,9	294,0	10,0	2,9	246,8	296,9
Provision for unearned premiums	51,9	51,3	0,0	0,0	51,9	51,3
Provision for outstanding claims	185,0	242,7	10,0	2,9	194,9	245,6
Other provisions	0,0	0,0	0,0	0,0	0,0	0,0
Life provisions	57,7	67,0	1,3	1,3	58,9	68,3
Provisions for payable amounts	4,6	4,1	0,0	0,0	4,7	4,1
Mathematical provisions	53,0	62,9	1,2	1,2	54,3	64,2
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	0,0	0,0	0,0	0,0	0,0	0,0
Other provisions	0,0	0,0	0,0	0,0	0,0	0,0
Total reinsurers' share of technical provisions	294,5	361,0	11,2	4,2	305,8	365,2

Details of technical provisions

Values in Millions of Euro	Direct business 31/12/2013	Direct business 31/12/2012	Inward business 31/12/2013	Inward business 31/12/2012	Total carrying amount 31/12/2013	Total carrying amount 31/12/2012
Non-Life provisions	6.196,7	6.503,2	59,8	28,8	6.256,5	6.532,1
Provisions for unearned premiums	1.274,9	1.335,8	2,3	2,8	1.277,2	1.338,6
Provisions for outstanding claims	4.913,8	5.159,5	57,3	26,0	4.971,1	5.185,5
Other provisions	8,1	8,0	0,1	0,0	8,2	8,0
including provisions allocated as a result of the liability adequacy test	*0,0*	*0,0*			*0,0*	*0,0*
Life provisions	13.659,8	12.662,5	10,5	11,7	13.670,3	12.674,2
Provisions for payable amounts	116,7	143,3	1,2	1,4	117,9	144,7
Mathematical provisions	10.836,4	10.043,9	9,3	10,3	10.845,7	10.054,2
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	2.716,6	2.625,1	0,0	0,0	2.716,6	2.625,1
Other provisions	-9,8	-149,7	0,0	0,0	-9,8	-149,7
including provisions allocated as a result of the liability adequacy test					*0,0*	*0,0*
including deferred liabilities to policyholders	*-58,0*	*-201,0*			*-58,0*	*-201,0*
Total technical provisions	19.856,5	19.165,7	70,3	40,5	19.926,8	19.206,3

Details of financial liabilities

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss					
Values in Millions of Euro	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Equity financial instruments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Subordinated liabilities	0,0	0,0	0,0	0,0	960,1	964,1	960,1	964,1
Liabilities arising from financial contracts issued by insurance company			247,2	235,2	1,4	1,4	248,7	236,6
arising from contracts where the investment risk is borne by policyholders			*112,5*	*115,5*			*112,5*	*115,5*
arising from pension fund management			*134,8*	*119,7*			*134,8*	*119,7*
arising from other contracts			*0,0*	*0,0*	*1,4*	*1,4*	*1,4*	*1,4*
Deposits received from reinsurers					129,4	133,8	129,4	133,8
Financial items payable on insurance contracts					0,0	0,0	0,0	0,0
Debt securities issued	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Payables to banking customers					0,0	0,0	0,0	0,0
Interbank payables					0,0	0,0	0,0	0,0
Other borrowings	0,0	0,0	0,0	0,0	6,5	6,5	6,5	6,5
Non-hedging derivatives	89,3	110,0	0,0	0,0			89,3	110,0
Hedging derivatives	271,8	341,5	0,0	0,0			271,8	341,5
Other financial liabilities	0,0	0,0	0,0	0,0	107,9	5,2	107,9	5,2
Total	361,1	451,6	247,2	235,2	1.205,4	1.111,1	1.813,8	1.797,9

Details of technical insurance items

		31/12/2013			31/12/2012		
	Values in Millions of Euro	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business							
NET PREMIUMS		3.640,4	-158,3	3.482,1	3.747,8	-122,1	3.625,8
a	Premiums	3.573,7	-162,8	3.410,8	3.680,3	-119,0	3.561,3
b	Change in provision for unearned premiums	66,7	4,6	71,3	67,6	-3,0	64,5
NET CHARGES RELATING TO CLAIMS		-2.230,6	38,5	-2.192,1	-2.648,9	109,6	-2.539,4
a	Amounts paid	-2.492,2	93,4	-2.398,7	-2.700,7	73,3	-2.627,3
b	Change in provision for outstanding claims	214,1	-52,8	161,3	-0,3	38,9	38,6
c	Change in recoveries	47,2	-2,2	45,0	51,6	-2,6	49,0
d	Change in other technical provisions	0,3	0,0	0,3	0,4	0,0	0,4
Life business							
NET PREMIUMS		2.162,9	-7,7	2.155,3	1.953,8	-10,1	1.943,8
NET CHARGES RELATING TO CLAIMS		-2.571,8	4,8	-2.567,0	-2.468,9	8,2	-2.460,7
a	Amounts paid	-1.680,0	14,2	-1.665,8	-2.219,7	15,1	-2.204,6
b	Change in provision for payable amounts	24,3	0,6	24,9	-52,8	1,3	-51,5
c	Change in mathematical provisions	-792,9	-9,9	-802,8	123,9	-8,3	115,7
d	Change in technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	-87,1	0,0	-87,1	-252,0	0,0	-252,0
e	Change in other technical provisions	-36,1	0,0	-36,1	-68,3	0,0	-68,3

Investment income and charges

	Values in Millions 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 31/12/2013	Total gains and losses 31/12/2012
Balance on investments		690,6	113,1	-205,6	271,4	-91,8	777,7	173,4	0,0	-137,8	-28,7	6,8	784,6	935,1
a	Arising from investment property		23,9	-6,3	0,1	-0,1	17,6	0,0	0,0	-18,1	-3,4	-21,5	-3,9	-14,6
b	Arising from investments in subsidiaries, associates and interests in		3,5	-99,2	0,0	0,0	-95,7	0,0	0,0		0,0	0,0	-95,7	3,6
c	Arising from investments held to maturity	60,4	0,0	0,0	0,5	0,0	60,9	0,0	0,0	0,0	0,0	0,0	60,9	78,4
d	Arising from loans and receivables	130,5	0,0	0,0	30,0	-38,0	122,5	0,0	0,0	0,0	0,0	0,0	122,5	178,2
e	Arising from available-for-sale financial assets	402,1	34,2	-2,2	213,9	-33,7	614,3	0,0	0,0	-73,1	-25,4	-98,4	515,9	409,5
f	Arising from financial assets held for trading	8,4	45,5	-73,9	20,8	-13,3	-12,4	100,4		-22,9		77,5	65,1	24,4
g	Arising from financial assets designated at fair value through profit or loss	89,1	6,0	-24,0	6,1	-6,7	70,5	73,0		-23,7		49,3	119,8	255,6
Balance on sundry receivables		0,5	0,0	0,0		0,0	0,5					0,0	0,5	0,5
Balance on cash and cash equivalents		0,7	0,0	0,0		0,0	0,7					0,0	0,7	1,4
Balance on financial liabilities		-35,0	0,0	-0,1	0,1	-0,1	-35,0	14,4	0,0	-23,6	0,0	-9,3	-44,3	-116,1
a	Arising from financial liabilities held for trading	0,0	0,0	0,0	0,1	-0,1	0,0	14,4		0,0		14,4	14,4	0,0
b	Arising from financial liabilities designated at fair value through profit or loss	0,0	0,0	0,0	0,0	0,0	0,0	0,0		-23,6		-23,6	-23,6	-72,2
c	Arising from financial liabilities	-35,0		-0,1	0,0	0,0	-35,0	0,0	0,0	0,0		0,0	-35,0	-43,9
Balance on payables		-0,3		0,0		0,0	-0,3				0,0	0,0	-0,3	-0,3
Total		656,4	113,1	-205,6	271,5	-91,9	743,5	187,7	0,0	-161,4	-28,7	-2,4	741,1	820,5

Details of insurance business expenses

	Values in Millions of Euro	Non-Life Business		Life Business	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012
Gross commissions and other acquisitions expenses		-827,5	-794,7	-50,5	-50,6
a	Acquisition commissions	-603,3	-580,2	-20,4	-16,2
b	Other acquisition expenses	-152,5	-135,6	-25,0	-26,8
c	Change in deferred acquisition expenses	-0,9	-2,4	0,2	-1,5
d	Renewal commissions	-70,8	-76,5	-5,3	-6,2
Commissions and profit-sharing received from reinsurers		33,2	32,4	1,4	1,3
Investment management expenses		-17,5	-17,3	-17,1	-15,4
Other administrative expense		-129,4	-118,9	-24,0	-22,2
Total		-941,2	-898,6	-90,1	-86,9

Details of other comprehensive income

	Amounts allocated		Reclassification		Other changes		Total changes		Taxation		Amounts at		
Values in Millions of Euro	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2012
Other comprehensive income without reclassification to profit or loss	8,0	-2,9	0,0	0,0	0,0	0,0	8,0	-2,9	0,3	1,6	-6,1	-16,7	-14,1
Reserve from change in equity of investees	8,8	1,2	0,0	0,0	0,0	0,0	8,8	1,2	0,0	0,0	1,5	-7,2	-7,2
Revaluation reserve for intangible assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Revaluation reserve for property, plant and equipment	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Gains or losses on non-current assets held for sale or disposal groups	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains or losses and adjustments relating to defined benefit plans	-0,8	-4,1	0,0	0,0	0,0	0,0	-0,8	-4,1	0,3	1,6	-7,6	-9,4	-6,8
Other items	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income with reclassification to profit or loss	263,7	384,9	10,4	213,4	0,0	0,0	274,1	598,3	-165,9	-217,8	-97,7	-371,7	-371,7
Reserve for currency translation differences	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Gains or losses on available-for-sale financial assets	248,7	398,8	10,4	213,4	0,0	0,0	259,0	612,2	-158,0	-225,0	-68,5	-327,6	-327,6
Gains or losses on cash flow hedges	15,0	-13,9	0,0	0,0	0,0	0,0	15,0	-13,9	-7,9	7,3	-29,1	-44,2	-44,2
Gains or losses on hedges of net investment in foreign operations	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reserve from change in equity of investees	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0
Gains or losses on non-current assets held for sale or disposal groups	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0
Other items	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0
TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES)	271,7	382,0	10,4	213,4	0,0	0,0	282,1	595,4	-165,6	-216,2	-103,7	-388,4	-385,8

Details of reclassified financial assets and their effects on the income statement and comprehensive income

Values in Millions of Euro

Categories of financial assets subject to reclassification		Type of asset	Amount reclassified assets in 2013 at the reclassification date	Carrying amount at 31/12/2013 of reclassified assets		Fair value at 31/12/2013 of reclassified assets		Reclassified assets in 2013		Reclassified assets up to the end of 2013		Reclassified assets in 2013		Reclassified assets up to the end of 2013	
from	to			Reclassified assets in 2013	Reclassified assets up to the end of 2013	Reclassified assets in 2013	Reclassified assets up to the end of 2013	Profit or loss in income statement	Profit or loss in comprehensive income	Profit or loss in income statement	Profit or loss in comprehensive income	Utile o perdita che sarebbero stati rilevati a conto economico in assenza della riclassificazione	Utile o perdita che sarebbero stati rilevati in altre componenti del conto economico in assenza della riclassificazione	Utile o perdita che sarebbero stati rilevati a conto economico in assenza della riclassificazione	Utile o perdita che sarebbero stati rilevati in altre componenti del conto economico in assenza della riclassificazione
Fin. assets at FV through P ol L	Loand and receivables	debt securities			469,9		399,8							29,3	
Fin. assets at FV through P ol L	Loand and receivables	other financial instruments													
Available-for-sale	Loand and receivables	debt securities			924,9		872,3								68,8
Available-for-sale	Loand and receivables	other financial instruments													
Fin. assets at FV through P ol L	Available-for-sale	equity instruments													
Fin. assets at FV through P ol L	Available-for-sale	debt securities													
Fin. assets at FV through P ol L	Available-for-sale	other financial instruments													
Fin. assets at FV through P ol L	Investments held to maturity	debt securities													
Fin. assets at FV through P ol L	Investments held to maturity	other financial instruments													
Available-for-sale	Investments held to maturity	debt securities													
Available-for-sale	Investments held to maturity	other financial instruments													
Total					1.394,7		1.272,1							29,3	68,8

Financial assets and liabilities at fair value on a recurring basis and not: breakdown by level of *fair value*

		Level 1		Level 2		Level 3		Total	
	Values in Millions of Euro	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Assets and liabilities at *fair value* on a recurring basis									
Available-for-sale financial assets		11.048,1	8.463,6	582,0	658,7	617,8	864,3	12.247,8	9.986,6
Financial assets at fair-value through profit or loss	Held for trade financial assets	110,3	169,3	106,5	78,2	70,4	105,9	287,2	353,4
	Financial assets designated at fair-value through profit or loss	2.880,1	2.662,1	66,8	135,0	14,3	63,1	2.961,2	2.860,2
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		*14.038,5*	*11.295,0*	*755,3*	*871,9*	*702,5*	*1.033,3*	*15.496,3*	*13.200,2*
Financial liabilities at fair-value through profit or loss	Held for trade financial liabilities	8,9	12,8	347,9	421,3	4,3	17,6	361,1	451,6
	Financial liabilities designated at fair-value through profit or loss					247,2	235,2	247,2	235,2
Total liabilities at fair value on a recurring basis		*8,9*	*12,8*	*347,9*	*421,3*	*251,5*	*252,8*	*608,4*	*686,8*
Assets and liabilities at *fair value* on a non-recurring basis									
Non current assets or disposal group held for sale									
Liabilities of a disposal group held for sale									

Details of changes in financial assets and liabilities at level 3 at fair value on a recurring basis

Values in Millions of Euro	Available for sale financial assets	Financial assets at fair value through profit or loss		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value through profit or loss	
		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	864,3	105,9	63,1				17,6	235,2
Acquisition/Issues	47,1	1,3					1,3	
Disposals/Repurchases	-281,2	-13,1	-35,7				-11,8	
Repayments	-0,2	-11,0	-13,3					
Profit or loss recognised in profit or loss	6,4	-14,7	0,2				1,8	
- of which unreaized profit or loss		-14,7	0,2				1,8	
Profit or loss recognised in other comprehensive income	24,6							
Transfers to level 3	14,0	0,9						
Transfers to other levels	-61,1	0,0						
Other variations	3,9	1,1					-4,7	12,0
Closing balance	617,8	70,4	14,3				4,3	247,2

Assets and liabilities not at fair value: breakdown by level of fair value

	Carrying amount		Fair value							
			Level 1		Level 2		Level 3		Total	
Values in Millions of Euro	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Assets										
Investments held-to-maturity	1.488,1		1.160,1		346,5		42,1		1.548,7	
Loans and receivables	3.979,7				2.491,1		1.226,5		3.717,6	
Investments in subsidiaries, associates and joint ventures	245,7						245,7		245,7	
Investment property	664,9						687,2		687,2	
Property, plant and equipment	354,1						415,6		415,6	
Total assets	6.732,4		1.160,1		2.837,5		2.617,2		6.614,8	
Liabilities										
Other financial liabilities	1.205,4		497,2				634,3		1.131,5	

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AUDITORS' REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF UNIPOL ASSICURAZIONI AS AT 31 DECEMBER 2013

UNIPOLSAI ASSICURAZIONI SPA

CONSOLIDATED FINANCIAL STATEMENTS OF UNIPOL ASSICURAZIONI GROUP FOR THE YEAR ENDED 31 DECEMBER 2013 PREPARED ONLY FOR THE INFORMATION TO BE INCLUDED IN THE "BASE PROSPECTUS" IN ACCORDANCE WITH EC REGULATION 809 OF 2004 OF THE COMMISSION AND SUBSEQUENT CHANGES AND ADDITIONS

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AUDITORS' REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF UNIPOL ASSICURAZIONI AS AT 31 DECEMBER 2013

To the Board of Directors of
UnipolSai Assicurazioni SpA

CONSOLIDATED FINANCIAL STATEMENTS OF UNIPOL ASSICURAZIONI GROUP FOR THE YEAR ENDED 31 DECEMBER 2013 PREPARED ONLY FOR THE INFORMATION TO BE INCLUDED IN THE "BASE PROSPECTS" IN ACCORDANCE WITH EC REGULATION 809 OF 2004 OF THE COMMISSION AND SUBSEQUENT CHANGES AND ADDITIONS

1 We have audited the consolidated financial statements, which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes of Unipol Assicurazioni SpA and its subsidiaries ("Unipol Assicurazioni Group") for the year ended 31 December 2013 (hereinafter also "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared only for the inclusion in the "Base Prospectus", prepared in accordance with the EC Regulation 809 of 2004 of the Commission and subsequent changes and additions, referred to the program to issue listed bonds on the Luxembourg Stock Exchange (*Euro Medium-Term Note*). The Directors of UnipolSai Assicurazioni SpA (formerly Fondiaria-SAI SpA, into which Unipol Assicurazioni SpA merged on 6 January 2014) are responsible for the preparation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the Regulation issued to implement Article 90 of Legislative Decree 209 of 2005. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2 We conducted our audit in accordance with auditing standards and criteria recommended by CONSOB (the Italian Commission for listed companies and the Stock Exchange). In accordance with those standards and criteria, the audit has been planned and performed to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement and whether they are fairly presented, when considered as a whole. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements, as well as assessing the accounting principles used and the reasonableness of estimates made by the Directors. We believe that our audit provides an adequate basis for our opinion.

PricewaterhouseCoopers SpA

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3 In our opinion, the Consolidated Financial Statements of Unipol Assicurazioni Group as at 31 December 2013 are in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the Regulation issued to implement Article 90 of Legislative Decree 209 of 2005; accordingly, they have been prepared clearly and they give a true and fair view of the consolidated financial position, the consolidated financial performance and the consolidated cash flows of Unipol Assicurazioni Group for the year then ended.

4 This report has been prepared only for the purposes described in paragraph 1 above and may not therefore be used for other purposes.

Milan, 23 May 2014

PricewaterhouseCoopers SpA

Signed by

Angelo Giudici
(Partner)

This report is only a translation of the original report in Italian, issued in accordance with Italian standards on auditing.

Unipol
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