# 2012 REPORTS AND FINANCIAL STATEMENTS

**FONDIARIA-SAI S.P.A.**

FONDIARIA-SAI S.P.A. - TURIN HEADQUARTERS – CORSO G. GALILEI, 12 - FLORENCE HEADQUARTERS – VIA LORENZO IL MAGNIFICO - SHARE CAPITAL EURO 1,194,572,973.80 FULLY PAID-IN – TAX, VAT AND TURIN COMPANY REGISTRATION NO. 00818570012 - COMPANY AUTHORISED TO UNDERTAKE INSURANCE ACTIVITIES PURSUANT TO ARTICLE 65 R.D.L. NO. 966 OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL 17, 1925

## 5 YEAR OVERVIEW PARENT COMPANY

**Euro thousands**

| | 2008 | % | 2009 | % | 2010 | % | 2011 | % | 2012 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| **TOTAL PREMIUMS** | | | | | | | | | | |
| MOTOR TPL | 2,087,376 | 42.29 | 2,016,246 | 41.89 | 2,104,414 | 41.57 | 2,140,263 | 44.20 | 1,958,327 | 45.50 |
| NON-LIFE INSURANCE | 1,711,356 | 34.67 | 1,730,271 | 35.95 | 1,722,817 | 34.03 | 1,655,698 | 34.20 | 1,515,554 | 35.22 |
| LIFE INSURANCE | 1,137,058 | 23.04 | 1,066,958 | 22.16 | 1,235,530 | 24.40 | 1,046,053 | 21.60 | 829,850 | 19.28 |
| **TOTAL** | 4,935,790 | 100.00 | 4,813,475 | 100.00 | 5,062,761 | 100.00 | 4,842,014 | 100.00 | 4,303,731 | 100.00 |
| **CLAIMS PAID** and related charges | 4,822,191 | | 4,103,656 | | 4,220,996 | | 4,181,621 | | 4,231,622 | |
| **INSURANCE CONTRACT LIABILITIES** | | | | | | | | | | |
| UNEARNED PREMIUM PROVISION | 1,413,408 | | 1,449,319 | | 1,515,070 | | 1,510,920 | | 1,303,119 | |
| CLAIMS PROVISION | 4,546,010 | | 4,699,692 | | 4,729,816 | | 5,220,937 | | 5,310,794 | |
| OTHER TECHNICAL PROVISIONS | 25,898 | | 27,899 | | 29,824 | | 31,435 | | 33,301 | |
| LIFE TECHNICAL PROVISIONS | 7,844,746 | | 8,063,754 | | 8,466,081 | | 8,375,088 | | 7,984,508 | |
| **TOTAL** | 13,830,062 | | 14,240,664 | | 14,740,791 | | 15,138,381 | | 14,631,722 | |
| **PROVISIONS/PREMIUMS** | 280.20% | | 295.85% | | 291.16% | | 312.65% | | 339.98% | |
| **SHAREHOLDERS' EQUITY** | | | | | | | | | | |
| SHARE CAPITAL AND RESERVES | 2,530,953 | | 2,486,065 | | 2,458,889 | | 2,271,721 | | 2,350,057 | |
| NET PROFIT/(LOSS) | 69,591 | | 40,216 | | -636,408 | | -1,020,368 | | -722,724 | |
| **TOTAL** | 2,600,544 | | 2,526,282 | | 1,822,481 | | 1,251,353 | | 1,627,333 | |
| **INVESTMENTS** | | % | | % | | % | | % | | % |
| PROPERTY | 1,055,869 | 6.49 | 1,163,758 | 7.08 | 1,157,612 | 7.20 | 1,066,510 | 6.92 | 946,707 | 6.19 |
| SECURITIES & TIME DEPOSITS | 14,280,915 | 87.81 | 14,316,621 | 87.12 | 14,087,251 | 87.67 | 13,410,674 | 87.00 | 13,575,732 | 88.77 |
| LOANS | 75,398 | 0.46 | 39,386 | 0.24 | 36,298 | 0.23 | 29,314 | 0.19 | 29,141 | 0.19 |
| DEPOSITS AT REINSURERS | 64,655 | 0.40 | 61,689 | 0.38 | 56,826 | 0.35 | 51,846 | 0.34 | 46,755 | 0.31 |
| DEPOSITS AT CREDIT INSTITUTIONS | 282,059 | 1.73 | 333,994 | 2.03 | 296,325 | 1.84 | 459,671 | 2.98 | 269,714 | 1.76 |
| CLASS D INVESTMENTS | 504,601 | 3.10 | 517,322 | 3.15 | 434,766 | 2.71 | 396,568 | 2.57 | 425,938 | 2.79 |
| **TOTAL** | 16,263,497 | 100.00 | 16,432,770 | 100.00 | 16,069,078 | 100.00 | 15,414,583 | 100.00 | 15,293,987 | 100.00 |
| **EMPLOYEES PARENT COMPANY** | 2,668 | | 2,659 | | 2,594 | | 2,564 | | 2,542 | |

# MAIN EVENTS IN 2012

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

- **19/03/2012:** the Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A. passed a resolution on the matters raised in the Directors' Report of January 29, 2012 for the Shareholders' Meeting, to which reference should be made. The documents relating to the Shareholders' Meeting have been made available to the shareholders on the Parent Company website under the section "Extraordinary and Ordinary Shareholders' Meeting – March 16-19, 2012".
  The capital increase is first and foremost aimed at strengthening the Fondiaria-SAI Group's statement of financial position, ensuring the recovery of the solvency margin required by law and, more generally, the future solvency structure of the Group. This proposal is therefore part of an action plan as per Articles 227 and 228 of Legislative Decree 209/05, requested by ISVAP in communication of January 10, 2012, which noted the significant shortfall in the adjusted solvency margin of the Company. Therefore, the funds raised from the capital increase will be used to provide the Company with stable and lasting solvency, now and in the future;

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

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

- **16/04/2012:** CONSOB requested the Board of Statutory Auditors of Fondiaria-SAI S.p.A., pursuant to Article 114, paragraph 5 of the Consolidated Finance Act (CFA), to make public certain information. For further details, reference should be made to the section of the Company's website on the Ordinary Shareholders' Meeting of April 23/24, 2012;

- **19/04/2012:** at the request of CONSOB, on April 16, 2012, pursuant to Article 114, paragraph 5, of Legislative Decree 58/98 (the CFA), the Fondiaria-SAI S.p.A. Board of Directors approved several supplements to the Directors' Report at December 31, 2011, published on March 31, 2012 under Article 154-*ter* of the CFA and to the Remuneration Report published on March 31, 2012 under Article 123- *ter* of the CFA.
  These supplements and the related requests made by CONSOB in its communication of April 16, 2012 have been made public. The documentation is available on the Company's website (www.gruppofondiariasai.it), from the Company's registered office (Corso Galileo Galilei 12, Turin) and from Borsa Italiana S.p.A.;

- **19/04/2012:** the Board of Directors of Fondiaria-SAI examined the appraisals and estimates hitherto made, with the support of the advisers, in relation to:
  (i) the combined business plan guidelines and possible synergies resulting from the merger with the Unipol Group, and
  (ii) the current and future pro-forma solvency margin of the company resulting from the proposed merger;

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

- **26/04/2012:** the Board of Directors of Fondiaria-SAI S.p.A. appointed corporate officers and elected members to its committees, as described in more detail in the section on "Appointment of corporate officers and board committees";

- **03/05/2012:** the Board of Directors of Fondiaria-SAI named the private equity operator 21 Investimenti as its exclusive partner for the ongoing analysis on the disposal of the hotel business forming part of the corporate holdings of Atahotels;

- **06/06/2012:** following extensive negotiations between the parties involved in the Integration Project, Unipol sent Fondiaria-SAI, Premafin and Milano Assicurazioni a proposal concerning the expected investment percentages in the Fondiaria-SAI ordinary capital post-merger to be allocated to those participating in the Integration Project;

- **14/06/2012:** the Board of Directors of Fondiaria-SAI acknowledged the bankruptcy order issued by the second civil chamber against Imco S.p.A. in liquidation and Sinergia Holding di Partecipazioni S.p.A. in liquidation. For further details on the subject, see the chapter "Other Information";

- **15/06/2012:** ISVAP noted serious irregularities in the management of Fonsai pursuant to Article 229 of Legs. Decree No. 209 of September 7, 2009, which provides for, in particular, the possibility of ISVAP to appoint an *ad acta* representative;

- **27/06/2012:** the Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A., which was held under the chairmanship of Mr. Cosimo Rucellai, confirmed, partly as a precaution pursuant to Article 2377, paragraph 8 of the Italian Civil Code, the resolutions adopted by the Extraordinary Shareholders' Meeting of March 19, 2012. Specifically, the meeting approved matters subject to authorisation by ISVAP.

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

- **19/07/2012:** following the subscription, by Unipol Gruppo Finanziario, to the Premafin reserved capital increase, Premafin and Finadin subscribed their allocation of the Fondiaria-SAI S.p.A capital increase. A total of 339,541,776 new issue ordinary shares were subscribed at a price of Euro 339,541,776.
  As a result of the above, Unipol Gruppo Finanziario acquired control of Premafin and therefore also of the Fondiaria-SAI Group;

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

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

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

- **12/09/2012:** ISVAP considered that the actions proposed or implemented by Fondiaria-SAI, following the operational irregularities uncovered by the Institute, were not suitable to correct the situation which led to the charges cited in the notice of June 15, 2012, prolonging – according to the Institute – the inability of Fondiaria SAI to remedy the violations and the relative effects.
  Therefore, ISVAP – considering the requirements of Article 229 of Legs. Decree No. 209 of September 7, 2005 to be in place - appointed, in accordance with the provision, Mr. Matteo Caratozzolo as an *ad acta* representative of Fondiaria SAI.

- **13/09/2012:** the share capital increase approved by the Shareholders' Meeting of June 27, 2012 was completed.
  In particular:
  - in fulfillment of the guarantee agreement signed on July 13, 2012, the banks within the syndicate subscribed to all 197,740,872 ordinary shares not taken up for a total value of Euro 197,740,872.00;
  - in accordance with the commitment of July 13, 2012, Unipol Gruppo Finanziario subscribed to all 240,609,096 Class B savings shares not taken up for a total value of Euro 135,944,139.24.

  Following the subscription by the bank underwriting syndicate and Unipol Gruppo Finanziario, the capital increase concluded, therefore, with the full subscription of the 916,895,448 ordinary shares and 321,762,672 Class B Savings Shares offered, for a total value of Euro 1,098,691,357.68.
  The new share capital of the Company therefore amounts to Euro 1,194,572,973.80, comprising 920,565,922 ordinary shares, 1,276,836 Class A savings shares and 321,762,672 Class B savings shares, without par value. The declaration required as per Article 2444 of the Civil Code will be filed at the Turin Company Registration Office in accordance with law.

- **17/09/2012:** following the Extraordinary Shareholders' Meeting resolutions of June 27, 2012 and the full subscription to the Fondiaria-SAI S.p.A. capital increase, the declaration of share capital increase was filed at the Turin Company Registration Office, in accordance with Article 2444 of the Civil Code. The new share capital of the Company therefore amounts to Euro 1,194,572,973.80, comprising 920,565,922 ordinary shares, 1,276,836 Class A savings shares and 321,762,672 Class B savings shares, without par value.

- **20/09/2012:** The Board of Directors of Fondiaria-SAI S.p.A. noted the resignation presented by the General Manager Mr. Piergiorgio Peluso.
  The Board, after thanking Mr. Peluso for his hard work and professionalism, and wishing him well for the challenges that await him, decided not to appoint a replacement.

- **26/10/2012:** on the request of CONSOB, of October 24, 2012, in accordance with Article 114, paragraph 5 of Legislative-Decree 58/98 (the "CFA"), a document containing the information required concerning in particular the state of advancement of the Remuneration Report established by Article 123-*ter* of the CFA and the severance indemnities to be paid to the ex-General Manager was prepared.
  The above-stated information was made available to the public. The documentation was made available on the company's website (www.gruppofondiariasai.it) in the section on the next Ordinary and Extraordinary Shareholders' Meeting, at the registered office of the Company (corso Galileo Galilei No. 12, Turin) and at Borsa Italiana S.p.A. and will be read at the above stated Shareholders' Meeting.

- **29/10/2012:** the Special Class B Savings Shareholders' Meeting of Fondiaria-SAI S.p.A. met on October 29, 2012 under the Chairmanship of Mr. Cosimo Rucellai, and resolved, on the proposal of the Class B savings shareholder Unipol Gruppo Finanziario S.p.A., to appoint Mr. Giuseppe Dolcetti as Joint Representative of the savings shareholders for the years 2012, 2013 and 2014.

- **30/10/2012:** the Shareholders' Meeting of Fondiaria-SAI S.p.A., in extraordinary session, approved the By-law amendments proposed by the Board of Directors, undertaken to guarantee compliance with the gender equality law for the composition of the Board of Directors and the Board of Statutory Auditors.
  In ordinary session the Shareholders' Meeting, also taking account of the regulation, appointed the Board of Directors until the Shareholders' Meeting for the approval of the 2012 accounts.

- **05/11/2012:** The Board of Directors of Fondiaria-SAI S.p.A., in a meeting chaired by Fabio Cerchiai, appointed the corporate officers and the internal committees of the board. The Board appointed, for the duration of its mandate, and therefore until the approval of the 2012 annual accounts:
  - Pierluigi Stefanini as Vice Chairman;
  - Carlo Cimbri as Chief Executive Officer.

  The Vice Chairman Pierluigi Stefanini was also appointed Director in charge of the internal control and risk management system, in accordance with the Self-Governance Code for listed companies. The Board of Directors appointed, for the duration of its mandate and therefore until the approval of the 2012 Annual Accounts, an Executive Committee of 5 Directors.

- **09/11/2012:** the ratings agency Standard & Poor's improved to "BB" from "B+" the rating of Fondiaria-SAI S.p.A. and its subsidiaries Milano Assicurazioni S.p.A. and SIAT S.p.A., confirming also the "positive" Creditwatch. The upward revision follows the progress made in the integration with the Unipol Group and the strengthened capital base of Fondiaria-SAI as a result of the capital increase completed in September 2012. The "positive" creditwatch reflects the proposed merger between the company and Unipol Assicurazioni, PremafinHP and Milano Assicurazioni and the potential related benefits from the merger and the financial support available to Fondiaria-SAI from the Unipol Group.

- **14/12/2012:** the rating agency Standard & Poor's improved the rating of Fondiaria-SAI S.p.A. to "BBB" from "BB" and removed the Creditwatch while assigning a negative Outlook. The upward revision follows the progress made in the integration with the Unipol Group and the definition as "core" entities from the previous "non-strategically important" within the Unipol Group. The negative Outlook reflects the potential risks considered by the rating agency in the execution of the integration.

- **21/12/2012**: CONSOB issued Resolution No. 18430, communicated on the same date to Fondiaria-SAI, stating the non-compliance of the 2011 Statutory and Consolidated financial statements of Fondiaria-SAI with the applicable accounting standards and requested Fondiaria-SAI to disclose, pursuant to Article 154-*ter*, seventh paragraph, of the CFA, certain information.

- **27/12/2012**: Fondiaria SAI, on request of Consob, noted the supplementary information required by Article 154-*ter*, Paragraph 7 of Legislative Decree No. 58/98.
  For further details, reference should be made to the section "Other Information".

# NEW INSURANCE PRODUCTS

## Non-Life insurance sector

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

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

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

- Launch of a new leased commercial property product. The ***Retail Più Fabbricati policy*** was launched on June 1, offering insurance for properties leased to third parties for commercial and/or industrial use against risks relating to "fire and property" and "third party liability";

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

- Launch of the **new *Difesa per Grandi Infortuni* policy**. June 1 saw the launch of the *Difesa per Grandi Infortuni* product, which covers cases of Death and Permanent Disability of over 15%, and is aimed at customers who currently have no accident cover and are not able to spend large amounts. The policy offers a high level of cover (Euro 200,000 of insured capital for Permanent Disability) for serious accidents that could threaten the policyholder's earning capacity.

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

- ***Flat and Flat+* Fire/Theft guarantees package offer**. On April 1, two new packages, named Flat and Flat+, were introduced, offering Fire/Theft cover for cars for up to Euro 70,000 of insured capital. The offer provides an innovative tariff with pre-determined premiums, broken down by amount of insured capital, vehicle age and region/province. The Flat+ package differs from the Flat in that it combines Fire/Theft cover with additional "Compact" pecuniary loss cover and legal expenses. The offer is designed to attract new customers and to build a more solid, profitable relationship with existing customers who:
  - have only motor TPL cover;
  - have cancelled their Fire/Theft cover in recent years;
  - own a mid-/low-value car;
  - intend to change vehicles and take out a new policy.

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

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

- Overhaul of **Accident policies** in 2012. The Group is continuing to restructure the older policies in its portfolio, which involve regulatory/tariff conditions that are no longer in line with current practice; it has promoted its Retail Più Infortuni Classic catalogue product by offering special discounts, as well as creating dedicated supplements to update its old, no-excess policies;

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

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

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

## Life insurance sector

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

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

# 2012 REPORTS AND FINANCIAL STATEMENTS

# CORPORATE BOARDS FONDIARIA-SAI S.p.A.

## BOARD OF DIRECTORS

| | |
|---|---|
| Fabio Cerchiai* | *Chairman* |
| Pierluigi Stefanini* | *Vice Chairman* |
| Carlo Cimbri* | *Chief Executive Officer* |
| Francesco Berardini | |
| Angelo Busani | |
| Sergio Costalli | |
| Ernesto Dalle Rive | |
| Ethel Frasinetti | |
| Vanes Galanti | |
| Guido Galardi* | |
| Oscar Guidetti | |
| Claudio Levorato | |
| Maria Lillà Montagnani | |
| Marco Minella* | |
| Milo Pacchioni | |
| Marco Pedroni | |
| Nicla Picchi | |
| Barbara Tadolini | |
| Roberto Giay | *Secretary of the Board and the Executive Committee* |

## BOARD OF STATUTORY AUDITORS

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

## INDEPENDENT AUDIT FIRM
RECONTA ERNST & YOUNG S.P.A.

## JOINT REPRESENTATIVE OF THE CLASS "A" SAVINGS SHAREHOLDERS
Dario Trevisan

* *Members of the Executive Committee*

## JOINT REPRESENTATIVE OF THE CLASS “B” SAVINGS SHAREHOLDERS

Giuseppe Dolcetti

## EXEUCTIVE OFFICER RESPONSIBLE

*for preparation of the company’s financial statements*

Massimo Dalfelli

The Board of Directors was appointed by the Shareholders’ Meeting of October 30, 2012. The Board’s mandate concludes with the Shareholders’ Meeting for the approval of the 2012 Annual Accounts.

The Shareholders’ Meeting appointed Fabio Cerchiai as Chairman of the Company, according to the proposal drawn up by PREMAFIN FINANZIARIA S.p.A..

The Board appointed for the entirety of its mandate:
- Pierluigi Stefanini as Vice Chairman;
- Carlo Cimbri as Chief Executive Officer.

The Board granted the Chief Executive Officer specific powers.

The Vice Chairman Pierluigi Stefanini was also appointed Director in charge of the internal control and risk management system, in accordance with the Self-Governance Code for listed companies.

The Board of Directors appointed, for the duration of its mandate, an Executive Committee comprising 5 Directors, specifically:
- Fabio Cerchiai – Chairman
- Pierluigi Stefanini
- Carlo Cimbri
- Guido Galardi
- Marco Minella

The Board of Directors also appointed the members of the Internal Control and Risks Committee as the Directors Nicla Picchi (as lead coordinator), Ethel Frasinetti and Barbara Tadolini, all of whom independent.

The Board of Directors in addition appointed the members of the committee of independent directors, set up in accordance with the procedure for transactions with related parties of the FONDIARIA-SAI Group in relation to the proposed integration with the UNIPOL Group, as the Directors Angelo Busani (as lead coordinator), Barbara Tadolini and Giampaolo Galli, all of whom independent and not related parties. The Committees mandate concluded with the preparation of the favourable opinion, presented to the Board of Directors at the Board Meeting of December 20, 2012, concerning the appropriateness for the Company of the proposed integration with the Unipol Group and the substantial correctness of the terms and conditions of the integration.

The Board of Directors appointed to the Remuneration Committee the Directors Giampaolo Galli (as lead coordinator), Angelo Busani and Ernesto Dalle Rive, the majority of whom independent.

The Board of Directors finally appointed as members of the Nominations and Corporate Governance Committee the Directors Maria Lillà Montagnani (as lead coordinator), Nicla Picchi and Marco Pedroni, the majority of whom independent.

On February 13, 2013, the Director Giampaolo Galli resigned from office in view of his candidature at the political elections.

NOTICE OF THE SHAREHOLDERS´ MEETING

Those with the right to attend and vote are called to the Ordinary Shareholders' Meeting scheduled for April 26, 2013 at 2.30 PM at the Centro Congressi Villa Cicogna, Via Palazzetti 1N, San Lazzaro di Savena (Bologna) in first call and, if necessary, in second call on April 29, 2013, at the same time and place to discuss and vote upon the following

Agenda

1. Approval of the Shareholders Meeting Regulation. Resolutions thereon.
2. 2012 Financial statements, Directors' Report; Board of Statutory Auditors' Report and the Independent Auditors' Report. Resolutions thereon.
3. Appointment of the Board of Directors and establishment of remuneration. Resolutions thereon.
4. Remuneration Report in accordance with Article 123-*ter* of the Consolidated Finance Act and Article 24 of ISVAP Regulation No. 39 of June 9, 2011. Resolutions thereon.
5. Approval of the share-based remuneration plan as per Article 114 *bis* of the CFA. Resolutions thereon.
6. Purchase and utilisation of treasury shares. Resolutions thereon.

**Attendance and representation at the shareholders' meeting**

In accordance with Article 8 of the By-Laws, those who, based on the communication sent to the company from a properly appointed "intermediary" in accordance with the applicable regulation and in accordance with the accounting records by the end of the 7th trading day (so-called "record date") before the date fixed for the Shareholders' Meeting in first call (therefore April 17, 2013), have the right to attend and vote at the Shareholders' Meeting.

Debits and credits to the relevant accounts subsequent to this date do not affect the right to vote at the Shareholders' Meeting.

The communication of the intermediary must be received by the Company by the end of the third trading day before the date fixed for the Shareholders' Meeting in first call (therefore, by April 23, 2013). The right to attend and vote at the Shareholders' Meeting remains valid if the communication is sent to the Company outside the above-stated time period, although by the beginning of the Shareholders' Meeting.

It is recalled that holders of Fondiaria-SAI S.p.A. shares, not within the Monte Titoli S.p.A. system that exercise the rights relating to these securities may be made exclusively through the delivery of these certificates to an intermediary for the input into the management system.

Those with such right may be represented at the Shareholders' Meeting through written proxy or conferred by an electronically signed and communicated document in accordance with the legal provisions, through utilising the proxy form available on the internet site of the company www.fondiaria-sai.it.

Proxy may be notified to the Company through sending a registered letter to the Shareholders' Office of the Company at the following address:

FONDIARIA-SAI S.p.A.
Florence Headquarters
Shareholder Secretariat Office
Via Lorenzo il Magnifico, 1
50129 FLORENCE

or through electronic notification to the certified email address socifondiaria-sai@legalmail.it.

Proxy may be conferred, with voting instructions on some or all proposals, to Servizio Titoli S.p.A., appointed by the Company in accordance with Article 135-*undecies* of Legs. Decree 58/98 (Consolidated Finance Act or the "CFA"), on condition that such is sent to the appointed company through courier, registered post or ordinary post to the residence of the appointed person in Turin, Via Nizza No. 262/73 or electronically to the e-mail address fondiaria-sai@pecserviziotitoli.it, by the end of the second trading day before the date fixed for the Shareholders' Meeting, also in subsequent call (i.e. by April 24, 2013 or, if held in second call, by April 25, 2013). Any proxy granted to Servizio Titoli is valid only for the proposals on which voting instructions are provided. Proxies and voting instructions are revocable in accordance with the terms above (or rather by April 24, 2013 or April 25, 2013). A proxy form is available on the internet site of the Company www.fondiaria-sai.it. Voting may not take place through correspondence or electronic means.

**Questions on matters on the Agenda**

Those with such a right may submit questions concerning matters on the agenda before the Shareholders' Meeting, however by April 23, 2013, through registered letter to the Shareholders' Office of the Company, at the address stated above, or through certified email to the e-mail address socifondiaria-sai@legalmail.it, accompanied by the certification of the intermediary declaring share ownership; the certification is however not necessary in the case in which the communication of the intermediary necessary for attendance at the Shareholders' Meeting is sent.

For the questions sent before the Shareholders' Meeting, response will be given at the meeting itself, with the faculty of the Company to provide a single response to questions with similar content.

**Right to request supplementation of the Agenda and present new proposals**

In accordance with Article 126 *bis* of the CFA, Shareholders who represent, even jointly, at least one-fortieth of the share capital with voting rights may request, within ten days of the publication of the present notice, a supplementation to the matters on the agenda, indicating in the request the further matters to be included on the agenda, or present proposals on matters already on the agenda. Questions may be submitted in writing through registered letter to the Shareholders' Office of the Company, at the address indicated above, or through certified e-mail to socifondiaria-sai@legalmail.it, accompanied by a copy of a valid identification document and the certification of the intermediary declaring ownership of such shares; within the same time period and in the same manner a report on the proposed matters must be presented by the proposers. In relation to any supplementation to the matters on the agenda and any further proposals on existing matters that the Shareholders' Meeting must consider following the above stated requests, notice is provided, in the same manner established for the publication of the call notice, at least fifteen days before the date fixed for the Shareholders' Meeting in first call. At the same time of publication, in the same manner established for the documentation relating to the Shareholders' Meeting, the report prepared by requesting Shareholders, accompanied by any evaluations of the Board of Directors, will be made available to the public.

Supplementation is not permitted for matters on which the Shareholders' Meeting will vote, in accordance with law, on proposals of the directors or concerning projects or reports other than those prepared in accordance with Art.125.b, paragraph 1, of the CFA.

In accordance with Article 126 *bis*, those with voting rights may individually present proposals to the Shareholders' Meeting.

**Composition of the share capital**

At the date of the preparation of the present notice the subscribed and paid-in share capital of the Company was Euro 1,194,572,973.80, comprising 920,565,922 ordinary shares, 1,276,836 Class A savings shares and 321,762,672 Class B savings shares, all without par value.

At the same date the total number of shares with voting rights, excluding the treasury shares and those held by subsidiary companies, amounts to 920,422,097 ordinary shares.

**Appointment of the Board of Directors (Agenda point No. 3)**

For the appointment of the Board of Directors, making reference to the By-laws and the Directors' Report to the Shareholders' Meeting for anything not specified, those who qualify may present slates within the terms and conditions and the manner and limits established by Article 13 of the By-laws, in addition to Consob Resolution No. 18452 of January 30, 2013, which establishes the minimum percentage holding necessary for the presentation of slates. In relation to the slates for the appointment of the Board of Directors, the list of candidates must be filed at the registered office of the Company in Turin, Corso Galileo Galilei, No. 12 or sent through e-mail to the certified e-mail address socifondiaria-sai@legalmail.it at least twenty-five days before the date fixed for the Shareholders' Meeting in first call (therefore by April 1, 2013), by shareholders which, alone or together with other shareholders presenting the slate, provide evidence of holding at least 2.5% of the share capital with voting rights at the ordinary Shareholders' Meeting.

The shareholders presenting a "minority slate" are governed also by Consob communication No. DEM/9017893 of February 26, 2009.

Finally, the Board of Directors will be elected in accordance with the gender equality regulation introduced by Law No. 120 of July 12, 2011, according to Article 13 of the By-laws.

**Documentation relating to the Agenda**

The documentation relating to the Agenda is available in accordance with the provisions required by law and on the website of the company www.fondiaria-sai.it. Specifically, the following documents will be made available: (i) the Directors' Report on point 3 of the Agenda, at least 40 days before the date of the Shareholders' Meeting in first call, as per Article 125-*ter* of the CFA and Article 84-*ter* of the Issuers' Regulations; (ii) the Directors' Report and proposals on points 1, 2, 5 and 6 of the Agenda and the Remuneration Plan at point 5, at least 30 days before the date of the Shareholders' Meeting in first call, in accordance with Article 125-*ter* of the CFA and Articles 73 and 84-*ter* of the Issuers' Regulations; (iii) the Directors' Report on point 4 of the Agenda, together with the Directors' Report on point 5 of the Agenda and the relative documentation, considering the inter-related nature of the matters; (iv) the financial report and other documents pursuant to Article 154-*ter* of the CFA, at least 21 days before the date of the Shareholders' Meeting in first call.

**Publication of the present notice**

The present call notice is published, in accordance with Article 125-*bis* of the CFA and in accordance with Article 9 of the By-Laws, on the internet site of the Company www.fondiaria-sai.it, in the daily newspapers Il Sole 24 Ore, Corriere della Sera, Il Messaggero and MF and in the Official Gazette of the Italian Republic.

# 2012 Directors' Report

Dear Shareholders,

Company operations in 2012 featured a series of extraordinary events, principally related to the signing on January 29, 2012 of an agreement with Unipol Gruppo Finanziario S.p.A. concerning the integration of Fondiaria-SAI, Unipol Assicurazioni, Premafin and, pending further approval, Milano Assicurazioni. Despite the difficult economic and market conditions, the merger by incorporation of Unipol Assicurazioni, Premafin, and Milano Assicurazioni with Fondiaria-SAI keeps an important part of the Italian financial system in Italian hands.
At this time of difficulty for the Italian economy, we look forward to the future with confidence.

The principal stages of the operation completed are as follows:

- January 2012: a letter of intent is signed by the management of the Fondiaria SAI Group and of the Unipol Group. Objective: to create a large insurance entity, the second on the market after Generali, capable of competing with the major European operators, establishing further domestic and overseas growth and generating value.
- March 2012: the Board of Directors and the Shareholders' Meeting of Unipol, presented the strategic-industrial guidelines for the operation.
- July 2012: Unipol becomes the majority shareholder of Premafin. Share capital increases of more than Euro 2 billion take place.
- August 2012: work begins on jointly drawing up a new 2013-2015 industrial plan. The 23 project groups involve all departments of the Fondiaria SAI Group and the Unipol Group.
- Between September and November 2012: the new Board of Directors are appointed; the management of Premafin, Fondiaria-SAI and Milano Assicurazioni changes.
- November 2012: the Companies of the Fondiaria SAI Group join the Unipol Insurance Group.
- December 20, 2012: the Board of Directors approve the merger proposal. The new 2013-2015 industrial plan is presented, jointly drawn up by the Boards of all Companies involved. The new company will take the name UnipolSai Assicurazioni.

This agreement, among other issues, has enabled the Company to draw up a rescue plan which will facilitate a recapitalisation, protecting the Company’s solvency, in addition to rebalancing of the financial and equity position, safeguarding therefore the future operation of the Company.

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

# 2012 OPERATIONAL PERFORMANCE

In the 91st year of your Company, a loss of Euro 723 million was recorded, compared to a loss of Euro 1,020 million in 2011.

The financial highlights for the year are shown below:

| | 2012 | 2011 | Change |
|---|---|---|---|
| Non-Life Technical Result | (5,289) | (428,028) | 422,739 |
| Life Technical Result | 924 | (283,155) | 284,079 |
| **TOTAL** | **(4,365)** | **(711,183)** | **706,818** |
| Net financial income Non-Life Division | (627,275) | (556,145) | (71,130) |
| (deduct quota transferred to technical account) | - | - | - |
| Quote transferred to the Life technical account | - | - | - |
| Other income and charges | (96,003) | (109,999) | 13,996 |
| **RESULT FROM ORDINARY ACTIVITY** | **(727,643)** | **(1,377,327)** | **649,684** |
| Extraordinary income and charges | 13,478 | 15,205 | (1,727) |
| LOSS BEFORE TAXES | **(714,165)** | **(1,362,122)** | **647,957** |
| Income taxes | (8,559) | 341,754 | (350,313) |
| **NET LOSS FOR THE YEAR** | **(722,724)** | **(1,020,368)** | **297,644** |
| | | | |
| Of which Non-Life | **(651,321)** | **(841,727)** | **190,406** |
| Of which Life | **(71,403)** | **(178,641)** | **107,238** |

*Pursuant to CONSOB Communication No. DEM/6064293 of 28/07/2006 and CESR recommendation in relation to alternative performance indicators it is reported that the principle indicators utilised in the present report are in line with best market practices and the principle academic theories. Where indicators are utilised which are not in accordance with the previous requisites stated, the necessary information is provided in order to understand the basis of the calculations utilised.*

The further loss, although lower than the loss reported in 2011, is primarily due to the significant write-down of investments of subsidiaries and non-controlling interests in portfolio.
In particular:

- the subsidiary Milano Assicurazioni incurred a write-down of Euro 428 million following an updated estimate of its recoverable value.
  In addition further write-downs were recognised of Euro 328 million relating to subsidiaries and non-controlling investments, including the subsidiary Nuove Iniziative Toscane for Euro 61 million and Immobiliare Fondiaria-SAI for Euro 46 million, these latter write-downs reflecting the updated valuation reports of properties owned by the subsidiaries.
- depreciation and write-downs on property owned directly, also based on updated valuation reports, for Euro 115 million.
- a good performance in the Non-Life insurance underwriting account which reports a return to underwriting profit in the Motor Classes, offset by losses in the General Liability Class, which was significantly impacted by a more prudent provision policy.

More specifically:

- the **Technical Result of the Non-Life Insurance sector** reports a loss of Euro 5.3 million (loss of Euro 428 million in 2011).
  Premiums written in the **Motor TPL Class** recorded a decrease of 8.5% on 2011, also due to the restructuring policies of the multi-claims portfolio and the continuing impact of the effects of the "Bersani" regulations which have significantly reduced the discretionary power of the "Bonus Malus" system. The market also continues to be drastically impacted by a significant drop in registrations.
  The current management returned a strong result, establishing a very positive trend, with a reduction in the number of claims reported (-16.1%), following the implementation of a more stringent settlement process by the Company to deal with the high number of fraudulent claims which have afflicted the sector. Also the amount of claims paid reports a significant reduction (approx. -5%). There is a strong improvement therefore in the current generation claims/premium.
  The prior year claims provisions continue to be impacted by a particularly prudent provision policy by the loss adjustor network, in part offset by the positive results from settlements relating to provisions made in the previous year.

  The **Land Vehicle Class**, although affected by a significant contraction in premiums (approx. -11.7% on 2011), recorded a technical profit, gross of reinsurance, of Euro 65 million (Euro 54 million in 2011), thanks to the commercial policies undertaken to recover profitability in the sector, which resulted also in a significant decrease in claims reported (-19.1%). The premiums decreased due to the general economic climate and the fall in registrations, in addition to the effect of the restructuring actions undertaken by the Motor TPL Class, with a consequent drop in the volumes in the class.
  In the **Non-Motor Classes** the claims charge remains at high levels particularly in the Civil Liability Class, while the Property and Fire Classes were impacted by the earthquake which hit the Emilia Romagna region in the spring of 2012. The recovery initiatives undertaken such as the introduction of new products, the review of existing product tariffs, greater controls and a reduction in discounting in the retail sector should have positive effects in 2013. In the corporate sector, the prudent selection of new risks continued, in addition to the review of the products in portfolio with discontinuation and/or extensive review of the guarantees given.

- The **Life insurance sector** reports a decrease in premiums written (-20.68% compared to direct premiums written in 2011), which reflects the general market trend, both for the more pension-based policies and for the capitalisation policies with a greater financial content, indicative of the financial difficulties for both households and businesses. The technical result was close to break-even thanks to the lower impairments on financial instruments which significantly impacted the result of the previous year. The technical margins of the portfolio are however adequate, although with the new business presenting reduced returns.

- The implementation of the cost containment policy resulted in the decrease in **operating expenses**, which totaled Euro 854 million (-6.1%) accounting for 18.8% of gross premiums (19.8% in 2012). In the Life sector these increased from 6.2% to 8.0% of total expenses, while in the Non-Life sector amounting to 22.7%, in line with 2011.

- The **insurance liability provisions** amounted to Euro 14,632 million (Euro 15,138 million at 31/12/2011). Of this, Euro 6,647 million related to the Non-Life sector (Euro 6,763 million at 31/12/2011) and Euro 7,985 million to the Life sector (Euro 8,375 million at 31/12/2011).

- **Investment income**, without considering write-backs/impairments, increased by approx. 7% on 2011 at Euro 510.7 million, thanks to the contribution of net gains on financial instruments of Euro 54.3 million. The value adjustments on investments amounted to Euro 985.2 million. The account includes write-downs of financial instruments for Euro 870.3 million, depreciation on property for Euro 19.2 million and property write-downs of Euro 95.7 million. On the other hand, ordinary net income increased to Euro 456.4 million compared to Euro 407.7 million in the previous year. The increase relates to dividends from subsidiaries.

- The net impact on the income statement from the **valuation of financial instruments**, including investments in subsidiaries, was a write-down of Euro 751.9 million (write-down of Euro 1,030.8 million in 2011) and includes, in addition to the Euro 2.0 million write-down of treasury shares (included in other extraordinary items), also Euro 34.1 million related to the investment held in Mediobanca, following the transfer of the investment from the non-current segment to the current segment in consideration of the investment no longer been considered a strategic long-term investment, in accordance with the commitment with the Ant-Trust Authority to sell the investment, by December 31, 2013, in accordance with Order C/11524 in relation to the "Evaluation of the measures to be undertaken" and, in particular, with reference to the "Measures relating to the shareholding ties of the post-merger entity with Mediobanca", initiated on April 26, 2012 by the Anti-Trust Authority. Given that the measure was addressed to Unipol Gruppo Finanziario S.p.A. and not to Fondiaria-SAI, and that the disposal of the investment held by the Fondiaria SAI Group in Mediobanca must be completed by the end of 2013, the objective is not to depreciate its value - and therefore optimise the management of the above mentioned investment - over the time period indicated.
  Total write-downs concerning subsidiaries and associated companies amount to Euro 701.9 million and include the impairment of Milano Assicurazioni for Euro 427.7 million.

- The balance of **other ordinary items** was a charge of Euro 96.0 million (charge of Euro 110.0 million in 2011), including Euro 37.1 million of amortisation on intangible assets (of this Euro 15.4 million attributable to goodwill) and approx. Euro 36.1 million of interest expense.

- The net **extraordinary income** amounted to Euro 13.5 million and includes in addition to the above-mentioned write-down of the treasury shares in portfolio, net prior year charges of Euro 2.4 million, net gains to be realised on bonds and equities in the non-current segment for Euro 14.9 million and gains on the sale of property for Euro 4.4 million.

- Total **current and deferred taxes** in the year amount to a net tax charge of Euro 8.6 million (net tax income of Euro 341.8 million in 2011).
  This result takes into account net income from the tax consolidation for Euro 20.0 million, essentially due to the income from the tax saving on the losses transferred (net of those received) of the consolidated companies. Although a significant loss was recorded in the year, assessable income for tax purposes arises due to the significant write-downs on investments in Group companies and on listed investments recorded under non-current assets and which therefore are of a permanent nature.
  On the other hand, the regional IRAP tax for the current year, estimated at Euro 6.5 million is substantially set-off by the provision of deferred tax assets, net of the amount reversed, on some items deductible in future years.

# PREMIUMS WRITTEN

Overall, premiums written amounted to Euro 4,304 million compared to Euro 4,842 million in 2011, a decrease of 11.12%.
The direct premiums written amounted to Euro 4,295 million - a decrease of 11.1%.
Total premiums written in 2012, in the various sectors, are summarised in the table below:

| (in Euro thousands) | 2012 | 2011 | Change % |
|---|---|---|---|
| **DIRECT PREMIUMS** | | | |
| Motor Classes | 2,281,853 | 2,506,904 | (8.98) |
| Other Non-Life Classes | 1,186,022 | 1,281,804 | (7.47) |
| Total Non-Life Insurance Sector | 3,467,875 | 3,788,708 | (8.47) |
| Total Life Insurance Sector | 826,788 | 1,042,388 | (20.68) |
| **TOTAL DIRECT PREMIUMS** | **4,294,663** | **4,831,096** | (11.10) |
| **INDIRECT PREMIUMS** | 9,068 | 10,918 | (16.94) |
| **TOTAL** | **4,303,731** | **4,842,014** | (11.12) |
| Of which: | | | |
| Non-Life Insurance Sector | 3,473,881 | 3,795,961 | (8.48) |
| Life Insurance Sector | 829,850 | 1,046,053 | (20.67) |

# ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2012

## International economic overview

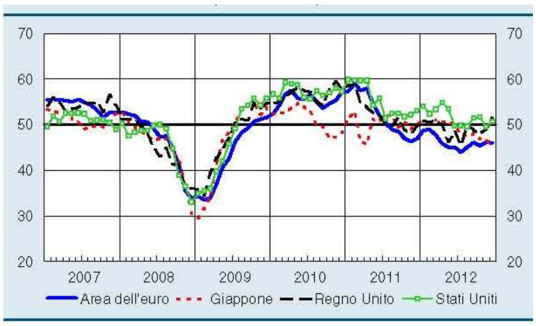
In the second half of 2012, the global economy remained weak. The international trade forecasts for the current year were revised downwards: in 2013, the recovery is expected to remain weak and extremely uneven among regions and countries, while global economic growth should strengthen in 2014.
According to the most recent OECD estimates, global output in 2012 slowed on average to 2.9%, with the current year signaling a recovery to 3.4%. Activity should improve at varying rates across the divergent economies: 2% in the United States and slightly under 1% in Japan and in the United Kingdom, against a fresh slowdown in the Eurozone.

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

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

*Source: OECD, Economic Outlook No. 92, November 2012;.*
*Consensus Economics, December 2012; Bank of Italy, Economic Bulletin No..71 January 2013*
[(1)] *The forecast of the Consensus Economics refers to the tax year, starting in April of the year shown Goods and services*
[(2)] *Goods and services*

**Graph 1 – Industrial production in principal advanced economies** [(1)]




*Source: Thomson Reuters Datastream e Markit*
[(1)] *Purchasing Managers Index (PMI) for the Manufacturing sector*

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

**Asia, China and Japan**

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

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

**Eurozone**
The reduction in Eurozone GDP in the third quarter of 2012 (-0.1% on the previous period, the second consecutive contraction, although more contained than expectations) was impacted by poor internal demand, reducing from the middle of 2011: gross fixed investment reduced (-0.6%), while household consumption again stagnated. Exports continued to increase (+0.9%).
The managers surveyed in December by Consensus Economics for 2013 estimated an average reduction in GDP of 0.1%, lower than the 2012 forecasts (-0.4%); the divergence in estimates remained however very wide, testament to the uncertainty which surrounds the Eurozone outlook.
In the final months of 2012, consumer price inflation in the Eurozone reduced to 2.2% in December, particularly due to the significant reduction in energy prices.

**Graph 2 – Eurozone inflation [1]**
*(12 months % change)*


*Source: workings on Eurostat and ECB data.*
(1) *Consumer Price Index*

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

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

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

## The Italian economy

In the initial months of 2013, no signs of a reversal in the economic cycle emerged, although the recession weakened from the second half of 2012. In the third quarter of 2012, Italian GDP contracted at a much reduced rate (-0.2% compared to -0.7% and -0.8% respectively in the second and first quarters of 2012).
According to the latest available estimates, Italian GDP in 2012 reduced 2.1%, in line with the July forecast.

**Tab 2 – GDP and principal components**
(quantity at linked prices; seasonally adjusted data and adjusted for work days; percentage change on the previous period)

| | 2011 | 2011 | | 2012 | |
|---|---|---|---|---|---|
| | Q4 | (1) | Q1 | Q2 | Q3 |
| GDP | (0.7) | 0.4 | (0.8) | (0.7) | (0.2) |
| Total imports | (2.6) | 0.6 | (3.5) | (0.5) | (1.4) |
| Domestic demand [(2)] | (1.6) | (1.0) | (1.7) | (1.2) | (0.8) |
| National consumption | (1.0) | (0.1) | (1.1) | (0.8) | (0.8) |
| Household spending | (1.2) | 0.1 | (1.4) | (1.2) | (1.0) |
| Other spending [(3)] | (0.6) | (0.8) | (0.1) | (0.1) | (0.3) |
| Gross capital investments | (2.6) | (1.8) | (4.1) | (2.0) | (1.4) |
| Construction | (0.7) | (2.6) | (3.6) | (1.2) | (1.4) |
| other investment assets | (4.6) | (1.0) | (4.8) | (2.9) | (1.4) |
| Change in inventories and goods of value[(4)] | (0.3) | (0.5) | - | (0.1) | 0.2 |
| Total exports | 0.5 | 6.0 | (0.5) | 1.0 | 0.5 |

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

Based on the available information, economic activity should remain weak also in the first quarter of 2013. The GDP estimate for the current year was revised downwards (from -0.2% to -1%), due to the weakening internationally and the continued industrial production fragility over recent months.
In the autumn of 2012 inflation, based on the national consumer price index, gradually reduced, standing at 2.3% in December.

## The insurance sector

Total premiums written in the Non-Life and Life Classes by Italian companies and by representatives in Italy of non-EU companies in the first nine months of 2012 amounted to Euro 75.6 billion (Euro 81.9 billion in 9M 2011), a decrease of approx. 7.7% on the same period of 2011.
The Non-Life portfolio, which totaled approx. Euro 25.2 billion, decreased by approx. 2%, accounting for 33.3% of the total portfolio (31.4% in the same period of 2011). Life insurance premiums amounted to approx. Euro 50.4 billion, a decrease of over 10%, with a percentage of the overall Non-Life and Life portfolio amounting to 66.7% (68.6% in the same period of 2011).

2013 should see improvement in insurance sector premiums globally, on the back of an improved economic environment, although remaining weak in terms of margins.

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

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

It is highlighted finally that in the “Outlook 2013” recently published by Fitch Ratings for the Italian insurance market, the continuation of the sovereign debt crisis in the Eurozone, according to the Agency, will create problems for the ratings of Italian Insurance Companies throughout the year, due to the considerable amount of government securities held in portfolio and the consequent significant probability that in the coming 12/24 months Italian Insurance Companies will see a lowering of their current ratings.
Therefore, Fitch confirmed the negative outlook for the sector: this evaluation was drawn up despite the improvement in the sector solvency ratios, following a reduction in the sovereign debt spread.

## Changes to the regulatory framework

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

**Rules governing mortgage-linked policies**

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

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

**"PRIPs" regulation proposal**

On July 3, 2012, the European Commission adopted a proposal to improve the transparency and comparability of Packaged Retail Investment Products ("PRIP's") purchased by retail investors, which comprises a far-ranging legislative package which seeks to regain the trust of consumers in the financial markets.

The proposal concerns, in particular, pre-contractual disclosure, leaving the implementation of the placement provisions to the review in progress of the sector directives (in particular, MiFID and the Insurance Brokerage Directive).

The current provision differentiates according to the legal form of the product and the distribution channel, therefore the objective of the Commission is to establish a level of retail investor protection which does not alter based on the legal form of the product or the distribution channel and which resolves the current sector fragmentation.

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

**Review of the Insurance Brokerage Directive**

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

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

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

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

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

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

**Further urgent measures for domestic growth**

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

<u>Anti-fraud measures</u>

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

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

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

<u>Duration of policies with Motor TPL guarantees</u>

The enacted Law maintains the provision of the Decree concerning the prohibition on long-term policies, introducing a significant amendment under which, on the request of the contracting party, it is possible to undertake policies of annual duration and thereafter parts of a year. Therefore, an appropriate solution was achieved in the Law concerning the difficulties created with the entry into force of the Decree, and in relation to which the client, with a need to establish a desired date for their contractual expiry, necessarily required a temporary policy, with all of the related limitations and difficulties. In such a scenario a temporary policy was therefore increasingly justified.

Tacit renewal of Motor TPL policies

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

**Health**

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

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

**New rules on gender discrimination**

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

**Direct compensation**

From January 1, 2013, the direct compensation flat rates were amended, as established by the Ministerial Technical Committee (Article 13 of Presidential Decree No. 254/2006), based on the segmentation criteria identified by Ministerial Decree of December 11, 2009.

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

In particular:

- **CID single flat rate** (damage to property and damage to the driver), broken down into three territories and by type of vehicle (vehicles other than motorbikes and mopeds);
- **CID single flat rate** (damage to property and damage to the driver), broken down into three territories and by type of motorbike (motorbikes and mopeds);

- **CTT flat rate**, for passengers in a motor vehicle;
- **CTT single flat rate** for passengers on motorcycles and mopeds.

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

**1. CID motor vehicles flat-rate:**
- Area 1: € 2,239
- Area 2: € 1,930
- Area 3: € 1,683

**2. CID motorbikes flat-rate:**
- Area 1: € 4,079
- Area 2: € 3,740
- Area 3: € 3,455

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

**3. CTT flat rate for passengers in motor vehicles:** for damage for an amount equal to or less than the plafond of Euro 5,000 suffered by third parties as passengers in motor vehicles, a flat rate of Euro 32,990 will be applied, with a total excess of Euro 500. For damage higher than the plafond of Euro 5,000 suffered by third parties transported in motor vehicles, the payment will consist of a flat rate of Euro 2,990 plus the differential between the effective damage and the stated plafond less an excess of 10%, with a maximum of Euro 20,000, to be calculated on the compensation.

**4. CTT flat rate for passengers on motorcycles and mopeds:** damage in the amount of Euro 5,000 or less to passengers transported on motorcycles and mopeds will be subject to a flat rate of Euro 3,700, with a fixed excess of Euro 500. In cases where the damage to passengers transported on motorcycles and mopeds is greater than Euro 5,000, the payout will comprise the flat rate of Euro 3,700, plus the difference between the damage actually compensated and the Euro 5,000 threshold, minus an excess of 10%, up to a maximum of Euro 20,000, to be calculated on the amount of the compensation.

Claims made in prior years are still subject to the flat rates established by the Ministerial Technical Committee for each of the years taken into consideration by the applicable resolutions.

**IVASS**

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

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

IVASS is headed by the General Director of the Bank of Italy.

The Authority operates on the basis of the principles of organisational, financial and accounting autonomy, in addition to those of transparency and prudency, to ensure the stability and correct functioning of the insurance system and the protection of consumers.

**Solvency II: recent regulatory changes**

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

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

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

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

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

With specific regard Solvency II convergence project it is stated that the Fondiaria-SAI Group will put in place all activities necessary to standardise the internal model to the new enlarged scope of Unipol Gruppo Finanziario (UGF).

# Non-Life Insurance Sector

## THE NON-LIFE INSURANCE MARKET

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

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

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

## PREMIUMS WRITTEN

Premiums written amounted to Euro 3,474 million, a decrease of 8.48% on the previous year.
The direct premiums written amounted to Euro 3,468 million - a decrease of 8.47%.

In particular, the premiums are broken-down as follows:

| **(in Euro thousands)** | | | | **Percentage** | |
|---|---|---|---|---|---|
| | **2012** | **2011** | **Cge. %** | **2012** | **2011** |
| DIRECT PREMIUMS | | | | | |
| Accident | 223,155 | 235,119 | (5.09) | 6.42 | 6.19 |
| Health | 131,833 | 154,170 | (14.49) | 3.79 | 4.06 |
| Railway | 110 | - | - | - | - |
| Aviation | 348 | 1,649 | (78.90) | 0.01 | 0.04 |
| Maritime | 3,348 | 4,350 | (23.03) | 0.10 | 0.11 |
| Merchandise transport | 6,335 | 6,499 | (2.52) | 0.18 | 0.17 |
| Fire and other natural elements | 227,015 | 244,670 | (7.22) | 6.53 | 6.45 |
| Property | 226,906 | 234,424 | (3.21) | 6.53 | 6.18 |
| Aviation TPL | 317 | 1,881 | (83.15) | 0.01 | 0.05 |
| Maritime TPL | 3,685 | 3,656 | 0.79 | 0.11 | 0.10 |
| General TPL | 271,040 | 309,516 | (12.43) | 7.80 | 8.15 |
| Credit | 1 | 16 | (93.75) | | - |
| Bonds | 39,138 | 40,491 | (3.34) | 1.13 | 1.07 |
| Pecuniary losses | 10,039 | 10,866 | (7.61) | 0.29 | 0.29 |
| Legal expenses | 8,245 | 8,672 | (4.92) | 0.24 | 0.23 |
| Assistance | 34,507 | 25,825 | 33.62 | 0.99 | 0.68 |
| **TOTAL OTHER NON-LIFE CLASSES** | **1,186,022** | **1,281,804** | **(7.47)** | **34.13** | **33.77** |
| Land vehicles | 327,175 | 370,340 | (11.66) | 9.42 | 9.76 |
| Motor TPL | 1,954,678 | 2,136,564 | (8.51) | 56.28 | 56.28 |
| **TOTAL MOTOR** | **2,281,853** | **2,506,904** | **(8.98)** | **65.70** | **66.04** |
| **TOTAL DIRECT PREMIUMS** | **3,467,875** | **3,788,708** | **(8.47)** | **99.83** | **99.81** |
| INDIRECT PREMIUMS | 6,006 | 7,253 | (17.19) | 0.17 | 0.19 |
| of which: | | | | | |
| Italian | 2,469 | 2,455 | 0.57 | 0.07 | 0.06 |
| Overseas | 3,537 | 4,798 | (26.28) | 0.10 | 0.13 |
| **TOTAL** | **3,473,881** | **3,795,961** | **(8.48)** | **100.00** | **100.00** |

## CLAIMS PAID AND CLAIMS REPORTED

The claims paid for direct Italian premiums - gross of recoveries from reinsurers - and including the settlement expenses amount to Euro 2,735 million, a decrease of 3.13% compared to 2011.
A breakdown of the claims reported and paid on direct Italian business, including the expenses directly attributable to the claim and indirect expenses relating to the settlement structure are shown below:

| | Claims paid (in Euro thousands) | | | Claim reported (*) Number | | |
|---|---|---|---|---|---|---|
| | **2012** | **2011** | **Cge. %** | **2012** | **2011** | **Cge. %** |
| Accident | 122,945 | 136,477 | (9.92) | 41,830 | 49,174 | (14.93) |
| Health | 124,795 | 147,232 | (15.24) | 247,794 | 220,909 | 12.17 |
| Railway | 12 | 2 | 387.38 | - | - | - |
| Aviation | 587 | 844 | (30.45) | 6 | 5 | 20.00 |
| Maritime | 1,745 | 2,750 | (36.57) | 264 | 320 | (17.50) |
| Merchandise transport | 1,600 | 2,916 | (45.11) | 778 | 839 | (7.27) |
| Fire and other natural elements | 150,484 | 132,329 | 13.72 | 36,291 | 35,088 | 3.43 |
| Property | 158,982 | 148,459 | 7.09 | 95,389 | 92,247 | 3.41 |
| Aviation TPL | 139 | 1,028 | (86.46) | 30 | 10 | 200.00 |
| Maritime TPL | 6,686 | 4,545 | 47.12 | 432 | 419 | 3.10 |
| General TPL | 245,493 | 214,923 | 14.22 | 51,761 | 56,480 | (8.36) |
| Credit | 73 | 701 | (89.57) | - | 4 | (100.00) |
| Bonds | 28,031 | 18,715 | 49.78 | 2,823 | 1,211 | 133.11 |
| Pecuniary losses | 3,897 | 2,028 | 92.18 | 848 | 1,372 | (38.19) |
| Legal expenses | 1,467 | 1,177 | 24.57 | 893 | 756 | 18.12 |
| Assistance | 12,161 | 10,621 | 14.51 | 64,422 | 57,900 | 11.26 |
| **TOTAL OTHER NON-LIFE CLASSES** | **859,097** | **824,748** | **4.16** | **543,561** | **516,734** | **5.19** |
| Motor TPL | **1,661,541** | **1,748,763** | **(4.99)** | **338,876** | **404,116** | **(16.14)** |
| Land vehicles | **214,372** | **249,809** | **(14.19)** | **142,182** | **175,644** | **(19.05)** |
| **TOTAL MOTOR** | **1,875,913** | **1,998,572** | **(6.14)** | **481,058** | **579,760** | **(17.02)** |
| **TOTAL DIRECT PREMIUMS** | **2,735,010** | **2,823,320** | **(3.13)** | **1,024,619** | **1,096,494** | **(6.55)** |

*(*) for generation*

As regards the Motor TPL Classes, the claims settled also include the expense incurred for the management of the claims as Manager (non-fault claims) under the new direct compensation system, net of sums recovered as a flat rate from the CONSAP clearing house.
The Motor TPL claims in the table refer to the events in which our policyholders were civilly responsible.
Motor TPL claims reported amounted to 317,306, a decrease of 16.3% on 2011.

## Settlement Time

The speed of the settlements, net of the claims not accepted, for the principal classes relating to the year 2012 is shown below compared to the previous year:

| CLASSES – Current year (*Values expressed in %*) | **2012** | **2011** |
|---|---|---|
| Accident | 41.85 | 41.19 |
| Health | 84 | 87.74 |
| Land vehicles | 89.83 | 89.64 |
| Fire and other natural elements | 72.9 | 73.80 |
| Other property damage | 75.56 | 75.69 |
| General TPL | 51.25 | 50.80 |
| Others Classes | 79.46 | 75.77 |
| Motor TPL* | 75.62 | 75.38 |

| CLASSES – Previous year (*Values expressed in %*) | **2012** | **2011** |
|---|---|---|
| Accident | 61.25 | 61.94 |
| Health | 81.9 | 90.95 |
| Land vehicles | 78.65 | 82.88 |
| Fire and other natural elements | 77.71 | 78.54 |
| Property | 80.64 | 79.83 |
| General TPL | 32.41 | 34.33 |
| Others Classes | 57.1 | 57.39 |
| Motor TPL* | 61.94 | 65.73 |

*(*) Speed of settlement calculated on the claims managed (No Card + Card Operator)*

| Motor TPL – CARD OPERATOR<br>Current year (*Values expressed in %*) | **2012** | **2011** |
|---|---|---|
| Motor TPL | 80.73 | 79.99 |

| Previous year (*Values expressed in %*) | | |
|---|---|---|
| Motor TPL | 73.96 | 75.71 |

# OPERATING EXPENSES

The operating expenses of the direct business amounted to Euro 786.4 million with a total decrease compared to the previous year of 6.64% (Euro 842.3 million in 2011).

The operating expenses are shown in the table below.

| (in Euro thousands) | **2012** | **2011** | **Change %** |
|---|---|---|---|
| **Direct business** | | | |
| Commissions and other acquisition expenses | 636,770 | 685,005 | (7.04) |
| Other administration expenses | 149,585 | 157,250 | (4.87) |
| **Total operating expenses** | **786,355** | **842,255** | **(6.64)** |

The decrease in commissions and other acquisition expenses, in addition to the decrease in premiums written, is also due to the amortisation over three years of the acquisition commissions on long-term contracts.

The reduction of approx. 4.9% in the Other Administrative expenses is principally due to lower technical consultancy and administrative costs and commercial and promotional expenses.

Within the Operating Expenses, the personnel expenses increased by 17.1% (Euro 115.2 million in 2012 and Euro 98.4 million in 2011).
Total personnel costs, which includes those recorded under settlement expenses, amounts to Euro 179.3 million, an increase of 14.3% on the previous year (Euro 156.9 million in 2011).

The increase is principally due to higher amounts for leaving incentives, back-dated payments following the renewal of the national labour contract and other non-recurring items.

# TECHNICAL BALANCES

The technical balances of the Italian direct premiums including the changes of the equalisation provision and without allocation of the financial income to the technical account are shown below:

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---|---|---|
| Motor TPL and Mlf | 77,620 | (373,530) | 451,150 |
| Land vehicles | 65,008 | 53,906 | 11,102 |
| Other Non-Life Classes | (170,579) | (58,296) | (112,283) |
| **TOTAL ITALIAN DIRECT PREMIUMS** | **(27,951)** | **(377,920)** | **349,969** |

With reference to the principal Classes:

- The **Motor TPL Class** reports a significantly improved technical result on 2011, despite a decrease of approx. 8.5% in premiums written. The current year generation was very strong, which reports a sharp fall in the claims reported (-16.1%), and claims paid (-5%), with a strong improvement in the current claims/premiums ratio due to:
  - tariff increases and a reduction in group policies;
  - restructuring actions of the portfolio still ongoing;
  - drop in claims reported and frequency;
  - progressive extension to the whole country of the internal method to combat fraud.

  In this context, the average cost of the claims accepted (paid plus provisions) is in line with market values.
  The adjustments to the claims relating to previous years remains negative, although a significant improvement on 2011.
  Against the gains on the settlement of payments, indicating the sufficient insurance contract liabilities recorded in the financial statements at the end of the previous year, it was decided, on a prudent basis, not to recognise these gains in the income statement. The activities of the loss adjusters network were therefore also concentrated on particularly prudent criteria.

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

- In relation to the **Other Non-Life Classes**, mixed performances were again seen due in part to the difficult economic environment. The positive results in the Injury, Legal Protection and Assistance classes were negated by the still negative performance in the General TPL Class, particularly in relation to the corporate portfolio as well as in the Health Class. In particular in the General TPL Class, and specifically in the corporate sector, against a reduction in the premiums following the portfolio restructuring actions, there are still outstanding claims from previous years, which required a more prudent reservation policy. In the retail sector, against a significant improvement in the current claims/premiums ratio, a repricing policy was implemented in order to render the products in portfolio more profitable and reach technical break-even.

## MOTOR TPL

The decrease in Motor TPL premiums written of approx. 8.5% reflects what emerged throughout the year, in particular a stricter application of policies to clean up the multi-class portfolio and the ongoing effects of the various "Bersani" Laws, which have considerably reduced the discriminatory power of the no-claims bonus system, both because new policies are subject to low-risk categories assigned on a family basis, and because the no-claims status is infringed only in cases of principal liability.

The situation continues to be severely impacted by a significant contraction in new vehicle registrations which in 2012 decreased by 19.87%, with a reduction of 22.51% in the month of December (in 2011 a decrease of 10.8% was recorded with a reduction of 15.3% in December). Domestic household demand is being squeezed by increases in almost all car related costs, but particularly fuel and road tolls - and within a prolonged recession.

The slight reduction in premiums written is also impacted, for nine months, by the Motor TPL tariff, launched in September 2011, in addition to the substantially neutral effect of the Motor TPL tariffs launched in March 2012, June 2012 and December 2012. These tariff versions, in line with Group guidelines, have the objective to recover profitability without neglecting the safeguarding of the portfolio, in order to reduce the tariff mutuality, taking into account regulatory changes ("Bersani" and Direct Indemnity) and competitive dynamics, focusing the analysis on the client risk and on their profitability.
Specifically, these tariffs are intended to considerably improve the Group's tariff competitiveness and the quality and structure of its portfolio by means of increased selectivity throughout the country.

In addition, with a view to making its Motor TPL tariff structure more competitive and less mutual, the review of the technical and commercial policies on contracts continued in 2012 in an attempt to reduce the proportion of the contracted portfolio, both in terms of the reduced number of policies and the relative and absolute decrease in discounts, whilst also seeking to redistribute agency discounts.

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

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

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

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

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

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

## Claims

The number of claims reported in the year in which our policyholders were civilly responsible was 339,308, reducing 16.1% compared to 2011. There was a decrease in the number of claims paid to 316,971 (-16.2%). Overall, there was a decrease in the cost of the current generation which amounted to Euro 1,275 million (-14%).
Relating only to the claims managed, the number of claims reported was 317,306, a decrease (-16.3%) on 2011, while the number of claims paid decreased to 307,726 (-14.7%).
The average cost of the payments for managed claims decreased by 4% for the current generation and but increased by 15.1% for the previous generations, with an overall increase of 11.3%.
The average costs of the provision, concerning managed claims, increased for the current year (9.8%) and decreased for previous years (-2.2%).
The claims/premiums ratio, net of the Guarantee Fund for Road Victims, is 60.5% for the current year and 77.0% at global level. The speed of settlement of the claims managed (No Card Claim + Operator Card Claims) was 75.6% for the claims in 2012 and 61.9% for the claims in previous years. The same indicator relating to claims caused was 73.5% for the year and 63.2% for previous years.

The combined ratio was 96.2%.

The table below shows the situation of the claims still open at December 31, 2012 for Fondiaria-SAI, compared with the claims reported and the situation relating to the Operator Card.

| Generation | Reported* | No. of Claims open | % on reported claims |
|---|---|---|---|
| 2001 | 589,850 | 609 | 0.10 |
| 2002 | 578,220 | 893 | 0.15 |
| 2003 | 539,448 | 1,203 | 0.22 |
| 2004 | 513,105 | 1,321 | 0.26 |
| 2005 | 503,957 | 1,861 | 0.37 |
| 2006 | 495,470 | 2,544 | 0.51 |
| 2007 | 492,136 | 3,173 | 0.64 |
| 2008 | 483,281 | 5,551 | 1.15 |
| 2009 | 483,827 | 9,009 | 1.86 |
| 2010 | 460,248 | 13,260 | 2.88 |
| 2011 | 400,646 | 20,578 | 5.14 |
| 2012 | 335,232 | 78,650 | 23.46 |

*(*) Excluding the Mandatorty CID from 01/02/2007 with the introduction of the direct compensation, the claims caused were considered (No Card + Card Debtor)*

**Card management from 1/2/2007**

| Generation | Claims Reported | No. of Claims open | % on reported claims |
|---|---|---|---|
| 2007 | 244,276 | 617 | 0.25 |
| 2008 | 305,196 | 1,789 | 0.59 |
| 2009 | 362,667 | 4,177 | 1.15 |
| 2010 | 338,909 | 6,116 | 1.80 |
| 2011 | 285,636 | 9,942 | 3.48 |
| 2012 | 235,381 | 41,645 | 17.69 |

# LAND VEHICLES

Premiums amounted to approx. Euro 327 million, decreasing 11.7% on 2011 due to the continued reduction in new vehicle registrations and due to the further deterioration of the economic crisis which gradually erodes employment levels, with negative impacts on disposable income, affecting the take up of the Vehicle guarantees. The reduction was also due partly to the specific sales policies of carmakers, which continue to offer insurance packages with warranties covering such aspects as fire, theft and assistance included in the purchase price of the car. The Land Vehicle class was impacted also by the reform actions on the multi-class portfolio by the company.

The claims reported in 2012 amounted to 142,182, a decrease of approx. 19% compared to the previous year (175,644).
There was also a decrease in the amount of claims paid to Euro 214.4 million (-14.2%).

The contraction in claims in the current year offsets the drop in premiums, due largely to the general economic climate, the general weakness in internal demand and the reduction in new vehicle registrations following the ending of government incentives, in addition to the lower contribution of agreements with vehicle manufacturers.
The increased underwriting restrictions for some guarantees such as those related to socio-political and natural events are also considered.
The cost of the claims of the current generation amounts to Euro 208.7 million, a decrease of 18.4% compared to 2011.
The speed of settlements, net of the claims eliminated without further process, amounted to 89.8% for the current generation claims (89.6% in 2011) and 78.7% for the claims of previous years (82.9% in 2011).
The claims/premiums ratio for the year was 60.3%, while the global total was 57.2%. The combined ratio was 81.1%.

## OTHER NON-LIFE CLASSES

The Italian direct premiums written amount to Euro 1,182 million – a decrease on 2011 of approx. 7.5%.
There was an increase on 2011 in the number of claims reported (5%), with the number of claims paid also increasing (4.2%).
The generation cost of the current year increased compared to 2011 (4.1%).

The monitoring of contracts in the Public Bodies sector continued, in particular concerning the monthly verification of the technical performances, with greater attention focused on the health sector, with a close eye focused on performances in addition to the correct execution of contracts in relation to all of the components, implementing at the same time where necessary reform/discontinuation actions, undertaken together with ongoing interaction with the Claims Department management.

The most significant product launches in the RETAIL class in 2012 are as follows:

- Launch of the **new product *Difesa Più Impresa fino a tre***. On September 1 the *Difesa Piu Impresa Fino a tre* product was launched which, based on 6 Guarantee pillars (Fire and Property, Theft and Robbery, Electronic and Electric Accidents, Third Party Liability, Legal Expenses and Assistance) provides trades people and businesses which employ up to three persons basic coverage including all necessary guarantees to protect the business and with the option of adding further guarantees.
- Launch of the **new *DIFESAPIU' Professioni Liberali/Tecniche/Sanitarie* products**. On September 1, the three Difesa Piu Professioni Liberali, Tecniche and Sanitarie products were launched, providing third party liability coverage in the professionals sector. In addition to professional TPL guarantees, coverage is also provided for employer TPL coverage (coverage of professionals following accidents reported by their employers), Legal Protection and Assistance.

- Launch of a new leased-commercial-property product. The ***Retail Più Fabbricati*** policy was launched on June 1, offering insurance for properties leased to third parties for commercial and/or industrial use against risks relating to "fire and property damage" and "third party liability";
- Launch of the **new product *Difesa per RC Vita Privata***. On June 1, the Group launched its *Difesa per RC Vita Privata* product, which covers third party liability for events of which personal life, family life and relationships. It is a pre-packaged offer with an extremely low fixed premium, aimed at individuals who are interested in entry-level insurance cover and are not looking to spend large amounts;
- Launch of the **new *Difesa per Grandi Infortuni* policy**. June 1 saw the launch of the *Difesa per Grandi Infortuni* product, which covers cases of Death and Permanent Disability of over 15%, and is aimed at customers who currently have no accident cover and are not able to spend large amounts. The policy offers a high level of cover (Euro 200,000 of insured capital for Permanent Disability) for serious accidents that could threaten the policyholder's earning capacity.
- "**Big Game Infortuni**" operation. This policy offers accident cover – launched in the second quarter to customers with high disposable income and covers aspects not considered by social security entities and public welfare agencies.

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

- Overhaul of **Home Insurance policies** in 2012. The Group is continuing to restructure its home insurance portfolio in relation to off-catalogue products with a view to encouraging people, by offering promotional guarantees and discounts, to take out its Retail Più Casa Classic product, which is currently on the market;
- Overhaul of **Accident policies** in 2012. The Group is continuing to restructure the older policies in its portfolio, which involve regulatory/tariff conditions that are no longer in line with current practice; it has promoted its Retail Più Infortuni Classic catalogue product by offering special discounts, as well as creating dedicated supplements to update its old, no-excess policies;
- Withdrawal of **professional TPL policies** in 2012. The Group is withdrawing its obsolete professional TPL portfolio (policies taken out prior to January 1, 2005) by writing to customers advising them that their policies will not be renewed upon maturity. The activity was extended throughout 2012.
- **Restyling** of the ***Retail Più Infortuni Classic*** product. In December, the restyled version of the *Retail Più Infortuni Classic* product was launched which, among other amendments, removes any premium differentiation based on "gender" (in light of the European Court of Justice Judgment of March 1 2011) and of the clause concerning the non-provision of insurance to persons with mental illnesses (enacting ISVAP's call to apply the ONU Convention of 13/12/2006 concerning Disabled Person Rights).
- Introduction of the ***Retail Più Casa Classic* product**. In the final quarter of 2012, the following features were incorporated into the *Retail Più Casa* Classic product:
  - **FQI addition** (Fire Excess), developed to offer further product modularity, offering more competitive premiums in the fire class;
  - **Earthquake additions**, developed to redefine the position of the Company, based on the increasing market demand for earthquake coverage (new commercial lever)

With particular reference to the individual Classes:

## Accident

During 2012 the restructuring of the poorly performing risks was completed.
The total premiums written reduced compared to the previous year (-5.1%), in particular in the Corporate Class.
The underwriting performance improved significantly (total Claims/Premiums of approx. 48%), due to lower claims costs and the contribution of the reversal of provisions.
For the comments relating to Public Bodies, reference should be made to the management data of the "Accident Class".
Premiums written in the **Public Bodies** sector decreased (-18.3%), with a net Claims/Premiums ratio of 67.2%, an improvement on the previous year (103.8%).
The activities related to the fulfilment of the provisions established by the new Legislative Decree No. 136 (Public Bodies traceability) continued, particularly in consideration of a number of amendments, including interpretations, which made necessary further actions on the process related to compliance with the regulations.

Overall:

Premiums written amounted to Euro 223.2 million (-5.1% on 2011).
The number of pro-rata claims reported in the year amounted to 41,830 (-14.9% on the previous year); claims paid totaled approx. Euro 123 million, a decrease of 9.92% compared to 2011.
The decrease on 2011 of the costs of claims of the generation, amounting to Euro 107.6 million (-15.6%), is highlighted.
The claims/premiums ratio for the year was good (approx. 48%), as was the overall level (48.8%).
The technical balance of the Class was positive, decreasing on 2011 (-6.4%).
The Class recorded a combined ratio of approx. 84%, in line with the previous year.
Overall the technical provisions represent 102% of the premiums for the year.

## Health

Premiums written amounted to Euro 131.8 million, a decrease of 14.5% on 2011.
The pro-rata claims reported amounted to 247,794, an increase of 12.2%.
The number of claims paid amounted to 203,678, an increase of 0.5% on 2011.
The cost of the current generation of claims amounted to Euro 129.7 million, a decrease of 9.5% compared to the previous year.
The technical balance remained negative at Euro 34,698.
The combined ratio of the Class was 123.5%, increasing on 119.9% in 2011.

## Fire and other natural events

Premiums written decreased 7.22% compared to the previous year, with a particularly poor performance from the broker channel, while the agency channel reported only a small decline. The Claim/Premium ratio (87.24%) reported a significant deterioration on 2011 (64.57%), due to the increase in catastrophic claims (< Euro 100 thousand) and two serious events in the year: the first is the damage caused in February by the heavy snow in the Adriatic region, which was covered under the excess-snowfall insurance stipulated in both Retail and Corporate sector contracts, while the second, which had a particularly large impact in terms of claims costs, was the earthquake that struck Emilia-Romagna and the surrounding regions, which significantly affected the technical performance of the corporate sector (net C/P 133%) The poor performance is entirely attributable to the Fondiaria division, especially due to its greater presence in the Public Bodies sector.
A very positive contribution came from the reversal of claims in previous years.
Premiums written in the Public Bodies sector increased by 1.2%, also in consideration of the restructuring actions undertaken on contracts in portfolio.
The increase in the claims cost for the year was particularly significant for the Fondiaria division which, as illustrated, is a direct consequence of the earthquake which hit a number of the Public Bodies (including the Ferrara province, the Emilia Romagna region and some municipalities, in particular Poggio Renatico, Solliera and Concordia and some coverage of the Health Boards of Ferrara and Bologna).
Following the earthquake, underwriting for new risks was initially suspended and new, more restrictive procedures were therefore defined with a view to identifying a solution involving a new computerised system to cover natural-disaster risks.
With regard to new risks concerning Public Bodies, in addition to the intensification of the measures adopted for the private sector, in the short term, a ban was introduced on participation in calls for tenders or negotiations where natural-disaster cover is provided for.

Overall:

The premiums amounted to Euro 227 million, a decrease on 2011 (-7.2%).
The pro-rata claims reported were 36,291, an increase of 3.4%.
The number of claims paid of 27,856 decreased by 3.5%.
The technical balance of the Class was negative (-18,103).
The combined ratio for 2012 was 105.9% (92% in 2011).
The technical provisions of the class represent approx. 130.6% of the premiums for the year.

## Maritime and transported goods

In the Transported Goods sector premiums written decreased by 2.52% on 2011, due to the unfavourable economic environment. The drop in trading and the decrease in industrial production led to a reduction in demand and in the amount of premiums.
Naturally, the general economic environment has accelerated closures of both commercial and transport companies and hit turnover both in the final reconciliation phase or in the renewal phase of those companies which continue to remain on the market.
The quest by businesses to reduce costs, including insurance costs, has in some cases resulted in a reduction in premiums to maintain the contracts with positive underwriting performances.

Some aspects which affected the decrease related to: the underwriting policy of the Company, with the aim to improve the underwriting performance and the deterioration of the Corporate sector. The non-acceptance by Clients of the renewal conditions also compromised the renewal of the transport policies. In addition, the rationalisation process of the agency network resulted in a reduction in the number of sales points.

With particular reference to the Goods claims in the year, the technical performance was positive, and the sector maintained the profitability of recent years. Claims in the year saw a decrease in claims reported and a significant increase in the amount per claim due to the number of events with compensation estimates above Euro 100 thousand.

The overall difficult market conditions outlined for the Goods sector also relates to the pleasure boat sector: the Italian pleasure boat sector, after years of strong growth, is undergoing a crisis which caused a strong drop in production and the closure or downsizing of numerous boat yards. The crisis is expected to continue in 2013.

In addition to that already outlined, other factors which contributed to the reduction in premiums written (-23.03%) on 2011 relate to:

1) the reduction of the sums insured of the boats with consequent reduction in premiums;
2) the non-renewal of clients who have not embarked their boats on water or have sold them (very few clients cancelled their insurance policy to change insurance Companies).

In addition, in consideration of the general crisis within the sector, the underwriting policy has been more cautious for over a year and the assessment of new clients, even if already known to the company, is more selective and stringent. While this has improved the underwriting performance of the class, it has also certainly impacted on premiums.

In relation to the claims in the Hulls class, compared to 2011, there is a decrease in the number of claims reported and an increase of claims accepted with provisions of Euro 1 million; however the technical performance of the class improved.

## Property

This sector only refers to the Corporate Theft class component.

Premiums written decreased 5.3% - similar for both divisions and with a higher decrease for the agency channel, while the Claim/Premiums ratio deteriorated significantly at 96.7%. This deterioration is particularly evident for the Fondiaria division with particular reference to the Public Bodies sector (993.2%), which was heavily impacted by earthquake claims on fire and theft policies.

The premiums written in the Public Bodies sector increased in both divisions overall by 10.3%.

## General TPL

During the year the risk restructuring activities were substantially concluded and for the agencies with greater involvement in the corporate sector particular attention was placed on risks considered of a more sensitive and significant nature (Public Bodies, healthcare risks, construction companies etc.), in line with the timelines established at the beginning of the year. The complete withdrawal from healthcare coverage for Public Bodies concluded and therefore the company is no longer present in this sector.
The drawing up of the new product for "Construction TPL" risks was practically completed, which may be utilised also for the reform activities, in addition to improving the profitability concerning the undertaking of new risks.

Premiums written decreased compared to the previous year, exclusively attributable to the corporate segment, in consideration of the various actions undertaken to restructure the sector.

The specific reform actions continued in two of the most important sectors, specifically "Private Health" and "Business Property" with the objective to reform/cancel the most serious positions.

Premiums in the **Public Bodies** sector report a significant decrease of 29.2 %, with a simultaneous reduction in the portfolio contracts.
The performance remains negative, even with a particularly significant contribution from the change in the claims provision.
We highlight the "public health" sector where the decision was taken inevitably to exit the segment. Such activity has now terminated.
Premiums in this sector report a reduction of 67.8%, with a corresponding reduction in the claims cost of 59%, and a significant revaluation of the prior year claims.

The monitoring activity continued for contracts in this sector, in order to keep the correct execution of the contract under strict observation, with reference to all of the components, providing at the same time actions for reform whenever considered necessary, also with frequent recourse to the Claims Management, and undertaking specific action to be implemented over time.

The activity continues, which began in 2011, with the creation of a new department to combat the problems related to the recoverability of excesses in the Public Bodies segment. A series of actions were implemented to better control this phenomenon, with the objective of an important economic return in order to stabilise the underwriting performances.
The activities related to the fulfilment of the provisions established by the new Legislative Decree No. 136 (Public Bodies traceability) continued, particularly in consideration of a number of amendments, including interpretations, which made necessary further actions on the process related to compliance with the regulations.

Overall:
The premiums written amounted to Euro 271 million (-12.4%).
The pro-rata reported 51,761 claims (-8.4%).

The number of claims paid amounted to 34,036, a decrease of 6.1% compared to 2011.
The cost of the claims of the current generation amounted to Euro 249.3 million, a decrease of 17.5%.
The claims/premiums ratio for the year was 84.9, while the global was approx. 124%.
The combined ratio for 2012 was 158.8%.
Overall, the ratio between the technical provisions and the premiums was 560.5%.

## Bonds

The economic climate, as was the case in the previous three years, also significantly impacted the Bonds Class performance.
The economic situation in Italy is extremely critical. After months of forecasting “economic recovery”, it was finally accepted that no recovery would be seen before 2014 and which in any case would be very slow.
The constant decrease in the capacity of the Banking Institutions to provide credit to Businesses, the chronic delay of the Public Administration in honouring its debts to Businesses (which report difficulties in recovering receivables which were sometimes unpaid for over two years), have contributed to the lack of liquidity and in many cases have been the cause of default of businesses. In particular, the construction sector which already in 2011 recorded an increase of 25.3% in bankruptcies, in the first six months of 2012 reports a further increase of 4.8%.
Investments in the construction sector incurred a further reduction of 7.4%, with a total drop of 29% since 2006.
Within this economic climate the Company considered it necessary, although within an already strict traditional policy concerning the underwriting of the Bond risk, to adopt even greater prudency in the selection of the type of risk, also in relation to a more extensive consideration of the financial/equity situation of the companies. The continued policy to increase rates partially eased the substantial decrease in the subscription of bond policies. Premiums written decreased by 3.3%.
The Claim/Premiums ratio was 79.4%. Overall the amounts recovered totaled Euro 6,917,000 (-9.5%). In 2013 premiums are expected to decrease further due to the continuing crisis in the construction sector, while claims are expected to improve.

# NON-LIFE REINSURANCE

## Outward Reinsurance

The entire reinsurance structure of the Company is based on proportional cover and excess cover and non-proportional coverage in claim excess.
Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.
For the Bond and Aviation Classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.
The net retention of the Technological Risks, with the exception of those relating to the Ten Year Guarantee, are protected on a non-proportional base individually by risk and jointly with the Fire and Land Vehicle classes on the occurrence of an event: this latter has only this specific coverage; a protection for risk is planned also for the Electronic and IT sectors.
The non-proportional programmes are the only instruments utilised to protect the Fire, Injury, Motor TPL, Theft and General TPL classes, although only a marginal part of this latter is protected in a proportional manner.

The confirmation of the type of coverage indicated continues to be in line with the specific characteristics of each individual portfolio, also taking into consideration the economic validity of the solutions indicated and their sourcing on the reinsurance market.

All the programmes reported are reinsured by the Irish Group company The Lawrence Re, indirectly controlled 100% by Fondiaria-SAI, which subsequently transfers the risks assumed on reinsurance.

The only exceptions are represented by the Transport coverage, by the Aviation coverage (directly placed on the market) and finally the Assistance Class, whose protection is guaranteed by the Group company Pronto Assistance.

In the case of the Transport sector, the entire portfolio is reinsured with SIAT, utilising a proportional coverage in a cession share of 99%; no non proportional protection is in place.

The reinsurance structure of the Company requires that relations are undertaken, principally through The Lawrence Re, with the principal market operators, always under conditions of financial solidity, of specific professionalism and with a proven interest in the establishment of long term relationships.

The strategy adopted by the Company in the optional segment is, where possible, complementary to that of the reinsurance agreements; the capacity requested is consequently in excess to that automatically contained in each agreement and therefore may be of a proportional or non proportional nature (in claim excess) according to the underlying agreement: the Aviation Class deviates from this general structure, in which a search is normally undertaken for the optional capacity before the complete expiry of the contractual capacity in order not to overexpose the automatic coverage to a range of catastrophic risks, as does the Transport Class, for which nearly the total proportional amount ceded does not require another form of protection.

The cases relating to the typical risk excluded from the contractual conditions or the cases relating to specific commercial agreements which provide for the adoption of a joint reinsurance package to the participation of the individual policy differ from this normal activity.

The reinsurance structure reported has proven to be adequate for the requirements of the Company, and therefore continue to be in line with that of the previous years.
This was also confirmed by the earthquake which hit the Emilia Romagna region in May/June 2012; based on the reinsurance coverage the Company recovered Euro 64,889 thousand at December 31, 2012.

The premiums ceded in the year amounted to Euro 156,099 thousand, compared to Euro 130,492 thousand in the previous year.

The result is significantly positive and differs from the forecast in consideration of the recoveries relating to the earthquake event mentioned above.

### Inward Reinsurance

At 31/12/12, this includes all the optional business and the acceptances by the insurance companies of the Group and at 31/12/11 for all the other types of agreements. A loss was reported (Euro 2,394 thousand). The only inward reinsurance portfolio of the group in pure run-off recorded a modest profit (Euro 574 thousand), while the inward reinsurance portfolio of the group companies recorded a loss (Euro 2,991 thousand).
The premiums accepted in the period amounted to Euro 6,006 thousand, a decrease compared to the previous year.

## NON-LIFE INSURANCE LITIGATION

The cases (Motor and Non Motor) closed in 2012 amounted to 24,589, an increase of 1.34% compared to 2011.
82.77% are within the Motor TPL division (83.66% in 2011).
There was an increase of 24.79% in the amount of the legal expenses paid, equal to Euro 81,598 thousand (Euro 65,390 thousand in 2011).
The claims in litigation at 31/12/2012 were 46,044 cases (-10.06% compared to the previous year).
The Motor TPL civil cases pending at 31/12/2012 totaled 32,498 compared to 37,318 at 31/12/2011, a decrease of 12.92%.

## COMBATING AND PREVENTION OF FRAUD IN THE MOTOR TPL INSURANCE CLASS

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

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

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

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

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

The Anti-Fraud process is divided into three departments based in Turin: the “Authority” office, the “ISVAP Claims and Regulation Staff” department and the “Turin Legal” office. The Anti-Fraud activities relating to fraudulent policies and claims commences either with the request for verification by the Authorities (State and Municipal Police, ISVAP, ANIA) in relation to the authenticity of suspect documents or reports received from the Agencies or insurance offices. If the verification is negative the “Authority” Office reports directly to the applicant and forwards the position to the Regulation Staff which undertakes further investigation and control of the documentation with simultaneous verification of the company Databanks and Ania, in order to evaluate whether a law suit should be pursued and in any case reporting to the Authorities which made the application. Where considered appropriate the “Regulation Staff” office notifies the other company departments concerned such as: Claims Anti-fraud, Commercial Department, Networks Control and Audit. The decision on whether to pursue a law suit is based on criteria determined in accordance with the General Legal and Privacy Department, based on the company’s policy periodically established.

In the cases where it is decided to pursue a law suit, the "Regulation Staff" department forwards the position to the "Turin Legal Office" which evaluates the documentation received and, where they agree with the decision to pursue the case, prepares the complaint and sends it to the magistrate, monitoring the progress and subsequent procedures.

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

In accordance with Article 30, paragraph 2, of the above-stated Legislated Decree No. 1/2012, as a result of the Anti-Fraud activity carried out in the Motor TPL class, the company estimates in 2012 a reduction in charges of approx. Euro 14 million, net of operating costs and expenses incurred in such activity.

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

# Life and Pension Funds

## THE LIFE INSURANCE MARKET

In the first nine months of 2012 total premiums in the Life insurance sector decreased by over 10% (to Euro 50.4 billion), accounting for 66.7% of the total Non-Life and Life portfolio (68.6% in 2011).
In particular, Class I (Insurance on human life) with approx. Euro 37 billion recorded a decrease of approx. 13.3% on the same period of 2011; Class III (Insurance principally related to mutual funds or Internal Funds or indices or other benchmark values) with approx. Euro 9.8 billion remains in line with the first nine months of 2011 and Class V (Capitalisation operations) decreased approx. 16% (approx. Euro 2.1 billion). These Classes account respectively for 73.3%, 19.4% and 4.1% of Life premiums (respectively 75.9%, 17.5% and 4.4% in the same period of 2011). In relation to the remaining Classes, Class VI premiums (Pension Funds: approx. Euro 1.5 million) represent approx. 2.9% of Life premiums (2% in the first nine months of 2011).

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

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

## PREMIUMS

Total premiums written amount to Euro 830 million, a decrease of 20.67% compared to Euro 1,046 million in 2011.

The direct premiums written amount to Euro 826.8 million, a decrease of 20.7% and broken down as follows:

| (in Euro thousands) | 2012 | 2011 | Cge % | Percentage 2012 | 2011 |
|---|---|---|---|---|---|
| **DIRECT PREMIUMS** | | | | | |
| I –Whole and term life insurance | 591,187 | 754,829 | (21.68) | 71.24 | 72.15 |
| III – Unit linked/index linked policies | 7,365 | 9,925 | (25.79) | 0.89 | 0.95 |
| IV - Health insurance | 300 | 267 | 12.36 | 0.04 | 0.03 |
| V – Capitalisation insurance | 204,007 | 249,544 | (18.25) | 24.58 | 23.86 |
| VI – Pension fund management | 23,929 | 27,823 | (14.00) | 2.88 | 2.66 |
| **TOTAL LIFE INSURANCE** | **826,788** | **1,042,388** | **(20.68)** | **99.63** | **99.65** |
| **INDIRECT PREMIUMS** | 3,062 | 3,665 | (16.45) | 0.37 | 0.35 |
| of which: | | | | | |
| Italian | 3,011 | 3,580 | (15.89) | 0.36 | 0.34 |
| Overseas | 51 | 85 | (40.00) | 0.01 | 0.01 |
| **TOTAL** | **829,850** | **1,046,053** | **(20.67)** | **100.00** | **100.00** |

Direct premiums are broken down as follows:

| (in Euro thousands) | 2012 | 2011 | Cge % | Percentage 2012 | 2011 |
|---|---|---|---|---|---|
| Individual | 475,104 | 619,017 | (23.25) | 57.46 | 59.38 |
| Collective | 327,755 | 395,548 | (17.14) | 39.64 | 37.95 |
| Open Pension funds | 23,929 | 27,823 | (14.00) | 2.89 | 2.67 |
| **TOTAL** | **826,788** | **1,042,388** | **(20.68)** | **100.00** | **100.00** |

The premium performance reflects the general market trend for both the pension-based policies and the capitalisation policies with a greater financial content, indicative of the general difficulties within the marketplace. The decrease in premiums, together with an increase in redemptions, was certainly impacted by the recent corporate events within the Group.

# AMOUNTS PAID AND RELATIVE CHARGES

The settlements of direct business amounted to Euro 1,410.2 million including the change in the provisions for sums to pay.
During the year, capital on maturity and annuity payments were made of Euro 530.6 million (Euro 541 million in 2011).
Compared to the previous year (Euro 1,278.3 million), there was an increase of 10.3%.

**Direct Business**

| (in Euro thousands) | **2012** | **2011** | **Change %** |
|---|---|---|---|
| **CLASS I** | | | |
| Claims | 30,187 | 33,833 | (10.8) |
| Capital and annuity matured | 361,397 | 405,128 | (10.8) |
| Redemptions | 489,019 | 474,939 | 3.0 |
| Total | 880,603 | 913,900 | (3.6) |
| Change Provision | (8,970) | 2,456 | (465.2) |
| TOTAL | 871,633 | 916,356 | (4.9) |
| **CLASS III** | | | |
| Claims | 813 | 1,087 | (25.3) |
| Capital and annuity matured | 10,272 | 49,664 | (79.3) |
| Redemptions | 11,597 | 13,609 | (14.8) |
| Total | 22,682 | 64,360 | (64.8) |
| Change Provision | (1,595) | (11,701) | - |
| TOTAL | 21,087 | 52,659 | (60.0) |
| **CLASS IV** | | | |
| Claims | - | - | - |
| Capital and annuity matured | 64 | 55 | 17.1 |
| Redemptions | - | - | - |
| Total | 64 | 55 | 17.1 |
| Change Provision | - | - | - |
| TOTAL | 64 | 55 | 17.1 |
| **CLASS V** | | | |
| Claims | 1,479 | 1,076 | 37.4 |
| Capital and annuity matured | 154,340 | 81,497 | 89.4 |
| Redemptions | 346,616 | 210,599 | 64.6 |
| Total | 502,435 | 293,171 | 71.4 |
| Change Provision | (273) | 2,166 | (112.6) |
| TOTAL | 502,162 | 295,337 | 70.0 |
| **CLASS VI** | | | |
| Claims | 100 | 329 | (69.5) |
| Capital and annuity matured | 4,527 | 4,696 | (3.6) |
| Redemptions | 10,258 | 9,988 | 2.7 |
| Total | 14,885 | 15,013 | (0.9) |
| Change Provision | 372 | (1,140) | - |
| TOTAL | 15,257 | 13,874 | 10.0 |
| **TOTAL LIFE BUSINESS** | | | |
| Claims | 32,580 | 36,326 | (10.3) |
| Capital and annuity matured | 530,600 | 541,039 | (1.9) |
| Redemptions | 857,489 | 709,134 | 20.9 |
| Total | 1,420,669 | 1,286,499 | 10.4 |
| Change Provision | (10,466) | (8,219) | - |
| **TOTAL** | **1,410,203** | **1,278,280** | **10.3** |

# MANAGEMENT EXPENSES

The management expenses of the direct business amount to Euro 65.8 million, a slight increase on the previous year (Euro 64.2 million in 2011).
This performance was due to the increase of overhead costs as shown in the table below:

| (in Euro thousands) | 2012 | 2011 | Change % |
|---|---|---|---|
| **Direct business** | | | |
| Commissions and other acquisition expenses | 29,523 | 33,037 | (10.64) |
| Other administration expenses | 36,297 | 31,239 | 16.19 |
| **Total management expenses** | 65,820 | 64,276 | 2.40 |

Within the Management Expenses, personnel costs increased by 22.4% (Euro 25.0 million in 2012 and Euro 20.5 million in 2011). The increase is due to the greater impact in 2012 of higher charges for leaving incentives and the renewal of the national pay agreement.

# TECHNICAL PERFORMANCE

## Individual Insurance

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

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

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

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

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

## Collective Insurance

2012 overall reported a reduction in collective policy premiums.

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

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

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

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

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

# LIFE REINSURANCE

## Outward Reinsurance

The protection of the Life portfolio, in consideration of the volume of its inherent equilibrium, continues to be unaltered compared to previous years: the surplus agreements continue to be used, reinsured with The Lawrence Re, whose total capacity permits a significant reduction of the necessary options; recourse is made to this latter for the limited exposures above that contractually agreed, or in the case of important collective contracts, utilising directly a limited number of reinsurers with considerable underwriting and financial capacity, as well as with a sufficiently high rating.
The Lawrence Re then cedes the above-mentioned proportional agreement utilising an integrated programme between protection in claim excess and excess loss.

The event risk is protected with a non-proportional programme with retention equal to the three tests.

The premiums ceded in the period amounted to Euro 7,813 thousand, a decrease compared to Euro 15,257 thousand in the previous year. The result reflects the type of the class and is in line with estimates.

## Inward Reinsurance

The year 2012 includes the business accepted from companies of the Group and in 2011 for that accepted from outside of the Group. The premium volumes amounted to Euro 3,062 thousand, a slight decrease compared to Euro 3,665 thousand in 2011. Some agreements terminated by companies of the Group continue to produce effects in the accounts.

The rest of the portfolio, which includes the run-off of the non-group business, report results in line with the characteristics of the Class.

# Asset and Financial Management

## INVESTMENTS AND LIQUIDITY

At December 31, 2012, the volume of investments amounted to Euro 14,613.5 million compared to Euro 14,558.8 million in the previous year, an increase of 0.4%. The modest increase, although including the sums deriving from the recent capital increase, was also impacted by significant write-downs in the year.

The total structure of the investments, with exclusion of the D class, changed as follows:

| (in Euro thousands) | **31/12/2012** | **Composition %** | **31/12/2011** | **Composition %** | **Change %** |
|---|---|---|---|---|---|
| - Property | 946,707 | 6.37 | 1,066,510 | 7.10 | (11.23) |
| - Bonds and other fixed income securities | 9,867,597 | 66.37 | 8,704,003 | 57.96 | 13.37 |
| - Equity Investments | 3,183,015 | 21.41 | 4,082,639 | 27.18 | (22.04) |
| - Mutual funds | 522,243 | 3.51 | 623,857 | 4.15 | (16.29) |
| - Loans | 29,141 | 0.20 | 29,314 | 0.20 | (0.59) |
| - Deposits at Credit Institutions | 15,193 | 0.10 | 442 | - | - |
| - Deposits with reinsuring companies | 46,755 | 0.31 | 51,846 | 0.35 | (9.82) |
| - Other financial investments | 2,877 | 0.02 | 174 | - | 1,551.46 |
| **Total investments** | **14,613,528** | **98.29** | **14,558,786** | **96.94** | **0.38** |
| - Cash and cash equivalents (1) | 254,521 | 1.71 | 459,230 | 3.06 | (44.58) |
| **TOTAL** | **14,868,049** | **100.00** | **15,018,015** | **100.00** | **(1.00)** |

*(1) includes the amounts of class F of assets*

The table below shows the breakdown of class D investments by nature:

## CLASS D INVESTMENTS

The table below shows the breakdown of class D investments by nature.

| (in Euro thousands) | **31/12/2012** | **Composition %** | **31/12/2011** | **Composition %** |
|---|---|---|---|---|
| - Fixed income securities | 236,340 | 55.5 | 220,466 | 55.6 |
| - Shares and units | 175,915 | 41.3 | 156,598 | 39.5 |
| - Cash and cash equivalents | 13,414 | 3.2 | 15,538 | 3.9 |
| - Other assets/liabilities | 269 | 0.1 | 3,966 | 1.0 |
| **TOTAL** | **425,938** | **100.0** | **396,568** | **100.00** |

The increase in class D investments is principally due to the adjustment in value to securities in portfolio.

The table below shows the results of the financial assets and property (excluding income from class D investments) for the two years:

## INVESTMENT INCOME

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---|---|---|
| Income from shares and quotas | 62,996 | 22,687 | 40,309 |
| Income from land and buildings | 46,641 | 49,944 | (3,303) |
| Income from other investments | 419,145 | 398,881 | 20,264 |
| **Gross total income** | **528,782** | **471,512** | **57,270** |
| **Management charges** | **72,392** | **63,783** | **8,609** |
| **Total net income** | **456,390** | **407,729** | **48,661** |
| Net income to be realised on land and buildings | 4,367 | 8,326 | (3,959) |
| Net income on current assets | 39,402 | 58,533 | (19,131) |
| Net income to be realised on non-current investments | 14,929 | 10,659 | 4,270 |
| **Total net income to be realized** | **58,698** | **77,518** | **(18,820)** |
| **Net write-down/(write-back) in values on:** | **(864,796)** | **(1,063,907)** | **199,111** |
| *Bonds* | 85,929 | (258,186) | 344,115 |
| *Shares and funds* | (835,841) | (754,240) | (81,601) |
| *Property* | (114,884) | (51,481) | (63,403) |
| **TOTAL** | **(349,708)** | **(578,660)** | **228,952** |

Ordinary income is in line with 2011, except for a higher contribution of dividends from subsidiaries.

Net income to be realised, attributable to the continued financial volatility, reports a slight drop.

The decrease in the account "net income to be realised on current assets" is due to the gains realised on fixed income securities and investment funds for Euro 30.2 million and losses realised on shares hedged by combined options for Euro 49.6 million, of which Euro 4 million concerning Generali shares and Euro 35.1 million concerning Pirelli shares.

Impairments were high considering in particular the impact from the valuation of subsidiary companies.

# FINANCIAL MANAGEMENT

2012 saw a retreat in global growth. The European Central Bank (ECB) played a central role in 2012 which, in the first part of the year, with the L.T.R.O.'s (Long Term Refinancing Operations) injected into the European financial system a significant amount of liquidity and, in the second part of the year, through the announcement and the subsequent conclusion of the O.M.T. Programme (Outright Monetary Transactions), reduced the risk of collapse in the Eurozone, prompting at the same time a renewed increase in the risk appetite of investors. In essence, the programme involves the possibility of the purchase by the ECB of a potentially unlimited quantity of government bonds with maturity within three years, of those countries of the Eurozone under financial stress, following a specific request and a related undertaking by such countries of a programme approved by the Authorities in Brussels and by the ECB.

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

**Table 3 – Movements in the rates and spreads against the ten-year German bund**

| **Country** | **December 30, 2011** | | **June 29, 2012** | | **September 28, 2012** | | **December 31, 2012** | |
|---|---|---|---|---|---|---|---|---|
| | 10 years rate | Spread vs Germany | 10 years rate | Spread vs Germany | 10 years rate | Spread vs Germany | 10 years rate | Spread vs Germany |
| Germany | 1.83 | - | 1.58 | - | 1.44 | - | 1.32 | - |
| France | 3.15 | 1.32 | 2.69 | 1.10 | 2.18 | 0.74 | 2.00 | 0.68 |
| Italy | 7.11 | 5.28 | 5.82 | 4.24 | 5.10 | 3.66 | 4.50 | 3.18 |
| Belgium | 4.09 | 2.26 | 3.19 | 1.61 | 2.53 | 1.09 | 2.06 | 0.74 |
| Greece | 34.96 | 33.13 | 25.83 | 24.25 | 19.50 | 18.06 | 11.90 | 10.58 |
| Ireland | 8.46 | 6.63 | 6.47 | 4.89 | 5.47 | 4.03 | 4.95 | 3.63 |
| Portugal | 13.36 | 11.53 | 10.16 | 8.58 | 9.00 | 7.56 | 7.01 | 5.69 |
| Spain | 5.09 | 3.26 | 6.33 | 4.75 | 5.94 | 4.5 | 5.27 | 3.95 |

*Source: Bloomberg*

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

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

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

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

## Bond sector operations

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

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

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

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

The total duration of the portfolio is 4.4.

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

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

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

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

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

The corporate securities are, largely, belonging to the “Investment Grade” category.
The illiquid percentage in the Non-Life sector was 41.9%, while in the Life sector 56.5%.

## Equity sector operations

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

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

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

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

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

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

# SIGNIFICANT FINANCIAL OPERATIONS

In relation to listed investments:

- GENERALI: sale of 7,389,336 shares realising a net gain of Euro 3,860 thousand, of which Euro 4,429 thousand related to the reversal of 6,637,914 combined options;
- MEDIOBANCA: sale and repurchase of 8,049,500 shares realising a loss of Euro 25,045 thousand;
- PIRELLI & C. ORD: sale and repurchase of 11,253,000 shares, realising a gain of Euro 23,740 thousand.

The main operations relating to the principal non listed subsidiaries are also reported:

- ATAHOTELS S.p.A. : payment of share capital increase of Euro 7,650 thousand;
- AUTO PRESTO & BENE S.p.A.: reduction of share capital for 2,380,939 shares for partial coverage of prior year losses and payment of capital increase to partially cover losses in 2011 of Euro 2,700 thousand;

- BANCA SAI S.p.A : payment to cover 2011 losses for the year of Euro 9,848 thousand;
- CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.: capital payment on account for a total of Euro 14.5 million, of which Euro 2.5 million to recapitalise the equity planned in the industrial plan and Euro 12 million estimated capitalisation according to the plan for the entire year 2012;
- EUROSAI S.r.l.: payment to cover 2011 losses for the year of Euro 200 thousand;
- GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.: payment to cover 2011 losses for the year of Euro 3,973 thousand;
- IMMOBILIARE FONDIARIA-SAI S.r.l.: transfer shareholder loan to future capital increase account for Euro 20 million, and capital payment on account for Euro 350 thousand;
- NUOVE INIZIATIVE TOSCANE S.r.l.: capital payment on account with payment of Euro 1,144 thousand necessary for ordinary charges in the current year;
- SISTEMI SANITARI S.c.r.l.: sale of the entire investment of Euro 466 thousand to the company Gruppo Fondiaria SAI servizi S.c.r.l. with the realisation of a gain of Euro 265 thousand, a preliminary operation for the merger in the acquiring company;
- STIMMA S.r.l.: payment to cover losses of Euro 100 thousand.

### SNS Bank nationalisation

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

## FINANCIAL DEBT

At 31/12/2012, the financial debt of Fondiaria-SAI S.p.A. is as follows:

| ( Euro millions) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Subordinated loan 2003 | 400.0 | 400.0 | - |
| Subordinated loan 2005 | 100.0 | 100.0 | - |
| Subordinated loan 2006 | 150.0 | 150.0 | - |
| Subordinated loan 2008 | 250.0 | 250.0 | - |
| Various loans and other financial payables | 243.1 | 243.1 | - |
| **Total debt** | **1,143.1** | **1,143.1** | **-** |

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

- A subordinated loan of Euro 400 million, agreed and issued on July 23, 2003. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. This loan was obtained in order to increase the constituent elements of the solvency margin;
- A subordinated loan of Euro 100 million agreed on December 20, 2005 (received on December 31, 2005), with the same subordination characteristics of the previous loan. The interest rate is Euribor at 6 months +180 basis points and it is repayable in five equal annual instalments from the 16th anniversary of the loan.
- A subordinated loan of Euro 150 million signed on June 22, 2006 (received on July 14, 2006). This loan provides for interest at Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan;
- hybrid, perpetual subordinated loan of Euro 250 million agreed and received on July 14, 2008 subscribed by Fondiaria-SAI. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years.

In relation to subordinated loans, against a nominal Euro 900 million, Interest Rate Swap contracts were underwritten in recent years for Euro 900 million in order to neutralise the risk related to the interest rate, stabilising on an annual basis the interest streams to be paid to the counterparty. For further information, reference should be made to the section relating to derivative financial operations.

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

With reference to Other loans and Other financial payables, amounting to Euro 243.1 million, the most significant amounts are reported below:

- Euro 223.1 million refers to the loan granted by the subsidiaries Saifin (Euro 157 million) and Fondiaria Nederland B.V. (Euro 66.1 million);
- Euro 20 million relates to interest bearing loans with the subsidiaries Sim Etoile (Euro 15 million) and Sainternational (Euro 5 million).

## TREASURY SHARES AND SHARES OF HOLDING COMPANIES

The treasury shares and shares in the direct parent company Premafin Finanziaria and the indirect parent company Unipol Gruppo Finanziario held by the Parent Company at December 31, 2012 and at December 31, 2011, are outlined in the table below:

| (in Euro thousands) | | 31/12/2012 | | 31/12/2011 |
| --- | --- | --- | --- | --- |
| | **Number** | **Book value** | **Number** | **Book value** |
| **Ordinary treasury shares held by:** | | | | |
| Fondiaria-SAI | **32,000** | **30** | **3,200,000** | **1,982** |
| Milano Assicurazioni | **99,825** | **95** | **9,982,557** | **6,183** |
| Sai Holding | **12,000** | **11** | **1,200,000** | **743** |
| **Total** | **143,825** | **136** | **14,382,557** | **8,908** |
| **Premafin Finanziaria shares held by:** | | | | |
| Fondiaria-SAI | **18,340,027** | **2,353** | **18,340,027** | **2,289** |
| Milano Assicurazioni | **9,157,710** | **1,175** | **9,157,710** | **1,143** |
| Saifin – Saifinanziaria | **66,588** | **8** | **66,588** | **8** |
| **Total** | **27,564,325** | **3,536** | **27,564,325** | **3,440** |
| **Unipol Gruppo Finanziario shares held by:** | | | | |
| Fondiaria-SAI | **24,000** | **36** | **2,400,000** | **600** |
| Milano Assicurazioni | **16,000** | **24** | **1,600,000** | **400** |
| **Total** | **40,000** | **60** | **4,000,000** | **1000** |

### Treasury shares

On July 2 the resolution of the Parent Group's Extraordinary Shareholders' Meeting held on June 27, 2012 was implemented, eliminating the par value of the ordinary and savings shares. Subsequently, the same shares were converted as 1 new share with regular dividends for every 100 shares held for both classes. At the end of the conversion the share capital comprised 3,670,474 ordinary shares and 1,276,836 savings shares, for a total of 4,947,310 shares with no par value. On July 16 the share capital increase of Fondiaria-SAI, approved on June 27, 2012, for a total of Euro 1,098,691,357.68 (including share premium) commenced. The capital increase provides for subscription to ordinary shares, with share premium, and to a new class of saving shares (Class B).

The carrying value of treasury shares reduced following the exclusion of the book value of the option rights on shares held by Milano Assicurazioni and Sai Holding. In light of the restriction on subsidiaries in subscribing shares in the parent company, these rights were disposed of on the stock market in July.
Following the full subscription of all shares, the new share capital, entirely subscribed and paid-in, amounts therefore to Euro 1,194,572,973.80, divided into 920,565,922 ordinary shares, 1,276,836 Class A savings shares and 321,762,672 Class B savings shares.

Therefore at 31/12/2012, there were 32,000 ordinary shares in portfolio equal to 0.003% of the ordinary share capital, while the subsidiary Sai Holding S.p.A. held 12,000 ordinary shares equal to 0.001% and the subsidiary Milano Assicurazioni S.p.A. held a further 99,825 ordinary shares equal to 0.011%.

## Shares of the holding company

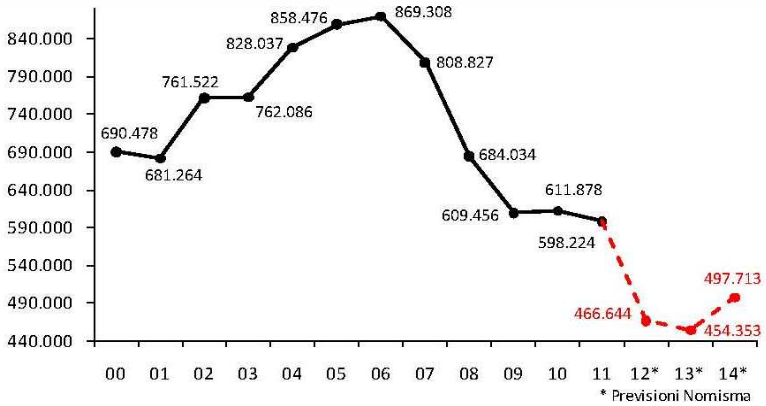
During 2012 no purchase or sales were undertaken on the ordinary shares of the holding company Premafin Finanziaria S.p.A.
At 31/12/2012, the Parent Company held 18,340,027 shares amounting to 0.852 % of the share capital, while the subsidiary Saifin-Saifinanziaria S.p.A. held 66,588 ordinary shares amounting to 0.003% of the share capital and the subsidiary Milano Assicurazioni held a further 9,157,710 ordinary shares totaling 0.426 % of the share capital.

Following the subscription of the capital increase of Premafin, on July 19, 2012, Unipol Gruppo Finanziario acquired control of Premafin and of the Fondiaria-Sai Group.

# REAL ESTATE SECTOR

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

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

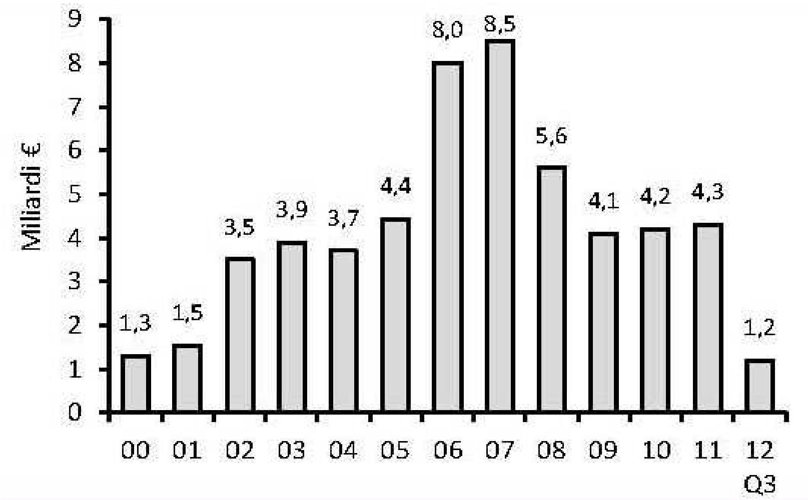



*Source: Economic Research Institute – Nomisma (3rd 2012 Real Estate Market Report, November 2012)*

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

**Graph 4 – Italy: volume of corporate real estate investments**

(in Euro billions)




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

## Operational performance

The real estate activity in 2012 was principally focused on the management and maintenance of existing property. Some property sales, planned in the previous year, were not finalised due to the difficult financial environment.
Simultaneously, a complete review and valuation of the real estate stock took place with the support of independent expert valuers, which resulted in the recognition of write-downs of Euro 95.7 million.
These write downs refer principally to four hotels at Varese - via Albany, Turin - via Gobetti, Giardini Naxos – Loc. Recanati and Milan – Viale Monza.

## Real estate operations

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

- in order to concentrate the real estate portfolio of the Fondiaria-SAI Group in wholly-owned assets, Fondiaria-SAI and some Group companies during 2012 decided to sell a number of vacant properties, located in condominium buildings owned by third parties and throughout Italy. In relation to this operation, during the year Fondiaria-SAI signed contracts for approx. Euro 1.8 million:
- Fondiaria-SAI, within the disposal programme contained in the three-year plan, also sold an office building at via Leone X No. 3 in Florence for Euro 2.9 million, in addition to a building in the province of Varese for Euro 2.2 million. In relation to the sale of units in the residential building at Milan, via Fiori Chiari, sales totaling approx. Euro 2.2 million were completed.

These sales resulted in net gains realised of approx. Euro 4.1 million.

## Castello Area

In relation to the criminal proceedings pending before the Court of Florence in which Fondiaria-SAI S.p.A. is involved for the offences pursuant to Articles 319 and 320 referred to in Articles 5 and 25 of Legislative Decree 231/2001 with regard to the urbanisation of the Castello area in the municipality of Florence, the following is reported.
The two prosecutors who brought the case before court prepared their conclusions and submitted the relevant requests at the hearings on March 26 and 28, 2012. In relation to the charges made against the Company, a penalty of 400 times the value between a minimum of approx. Euro 250 and a maximum of Euro 1,549 was requested. The accessory penalties of the banning for 2 years from undertaking contracts with the public administration and the confiscation of the lots of the Castello Area for which the construction permits were released were also requested.

The Public Prosecutors also requested that the entire area should remain under sequestration.

In relation to the defence of the Company, clearing of the charges was requested, claiming the non committal of any offence and subordinately therefore the pursuit of only the monetary claim and not also the criminal claim as the Company had adopted an Organisational and Management Model appropriate to prevent offences against the Public Administration as contested. At the hearing on June 29, 2012, the Court of Florence did not pronounce sentence, but ordered an additional hearing to listen again to the evidence already discussed, pursuant to Article 507 of the Italian Criminal Code.

On November 9, the hearing before the Florence Court took place, during which a number of texts concerning collusive tendering were examined - documents which did not concern the company and its representatives.
The process was postponed to January 18, 2013: The hearing was duly held and the subsequent hearing of February 22 involved the examination of witnesses.

Finally, the Florence Court on March 6, 2013, fully absolved Fondiaria-SAI (as the fact was not proven) of all charges in the criminal investigation concerning the urbanisation of the Castello Area (Florence).
The Court also granted the release from seizure and the restitution of the Castello Area. The Company's legal representatives will pursue the execution of the release from seizure by the legal police which occurred in November 2008.

The value of property pertaining to the "Castello Area" as at 31/12/2012 was approximately Euro 102.3 million, less than the experts' valuation of Euro 111.5 million.
This amount is consistent with the scenario that construction can continue and, therefore, with the assumption of the operational continuity of the asset.

For further details in relation to the result of the hearing, reference should be made to the paragraph "Subsequent events to the year-end".

# Other information

## STRUCTURE OF THE SALES ORGANISATION

With reference to 2012, the national distribution of the Fondiaria-SAI Agents was as follows:

| | **Total at 31/12/12** | **Total at 31/12/11** |
|---|---|---|
| North | 596 | 619 |
| Centre | 291 | 302 |
| South | 308 | 315 |
| **TOTAL** | 1,195 | 1,236 |

The number of Agencies with SAI mandate was 693; the number of Brokers was 1,127.
Specifically, the distribution structure includes 1,195 single-mandate and multi-mandate agencies of the Parent Company (1,236 at 31/12/2011), as well as a further 1,902 agencies that collaborate with the other Group companies.
The secondary offices of the company are as follows: FLORENCE (Via Lorenzo il Magnifico, 1), MILAN (Via Senigallia, 18/2), MILAN (Via Locatelli, 1) and ROME (Piazza di Spagna, 15).

## HUMAN RESOURCES

At December 31, 2012, the total workforce of the Company numbered 2,531 employees (2,564 employees of which 13 caretakers at December 31, 2011), of which 72 management and 2,459 insurance office staff and managers. The total of the parent company includes 11 caretakers of buildings owned, whose employment contract is governed by the national caretakers contract.

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

At internal level, the principal event was the extension until 31/12/2013, in its entirety, of the Supplementary Contract of the Fondiaria-Sai Group concluding on 31/12/2012. The bridge agreement was necessary to align the conclusion of the contract with that of the Unipol Assicurazioni Supplementary Contract, in view of the merger in 2013 between Fondiaria-SAI, Milano Assicurazioni and Unipol Assicurazioni.
We highlight also the signing of two agreements concerning funding from the Fondo Banche Assicurazioni (FBA) of two training plans for the updating, requalification and professional development of employees.
Employee disputes before the courts remained limited in the year, decreasing slightly on previous years. At 31/12/2012, there were 41 employment cases pending (46 at 31/12/2011).

# SHARE CAPITAL INCREASE OF FONDIARIA-SAI AND INTEGRATION PROJECT

On January 29, 2012, the Board of Directors of Fondiaria-SAI S.p.A. called an Extraordinary Shareholders' Meeting of the Company in first call for March 16, 2012 and if necessary in second call for March 19, 2012, in order to submit a rights issue based capital increase totaling Euro 1,100 million to Shareholders.
The Board also resolved to extend the mandate of advisers Goldman Sachs and Studio Legale Carbonetti e Associati to include helping with research and implementation activities for the proposed integration.

On March 19, 2012, the Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A. passed a motion on the matters raised in the Directors' Report of January 29, 2012 for the Shareholders' Meeting, to which reference should be made. The documents relating to the Shareholders' Meeting have been made available to the shareholders on the Parent Company website under the section "Extraordinary and Ordinary Shareholders' Meeting – March 16-19, 2012".
The capital increase is first and foremost aimed at strengthening the Fondiaria-SAI Group's statement of financial position, ensuring the recovery of the solvency margin required by law and, more generally, the future solvency structure of the Group. This proposal is therefore part of an action plan as per Articles 227 and 228 of Legislative Decree 209/05, requested by ISVAP in communication of January 10, 2012, which noted the significant shortfall in the adjusted solvency margin of the Company. Therefore, the funds raised from the capital increase will be used to provide the Company with stable and lasting solvency, now and in the future.

On April 19, 2012, the Board of Directors of Fondiaria-SAI examined the appraisals and estimates, with the support of advisors, in relation to the assumptions of the guidelines of the combined industrial plan and possible synergies resulting from the integration with the Unipol Group and pro-forma solvency margin, also forward looking, of the company resulting from the proposed merger.

On June 6, 2012, following extensive negotiations between the parties involved in the Integration Project, Unipol sent Fondiaria-SAI, Premafin and Milano Assicurazioni a proposal concerning the expected investment percentages in the Fondiaria-SAI ordinary capital post-merger to be allocated to those participating in the Integration Project;

On July 19, 2012, following the subscription, by Unipol Gruppo Finanziario, to the Premafin reserved capital increase, Premafin and Finadin subscribed their allocation of the Fondiaria-SAI S.p.A capital increase. A total of 339,541,776 new issue ordinary shares were subscribed at a price of Euro 339,541,776.
As a result of the above, Unipol Gruppo Finanziario acquired control of Premafin and therefore also of the Fondiaria-SAI Group.

O, August 1, 2012, the rights offer concluded for a maximum 916,895,448 ordinary shares and a maximum 321,762,672 new issue Fondiaria-SAI S.p.A. Class B savings shares, on the paid-in, divisible share capital increase, whose conditions were approved by the Board of Directors on July 5, 2012, in execution of the powers conferred by the Extraordinary Shareholders' Meeting of June 27, 2012.

On September 10, 2012, the rights offer concluded for a maximum 916,895,448 ordinary shares and a maximum 321,762,672 Class B savings shares on the paid-in share capital increase, whose terms and conditions were approved by the Board of Directors on July 5, 2012, in execution of the powers conferred by the Extraordinary Shareholders' Meeting of June 27, 2012.
On December 20, 2012, as communicated to the market, the Board of Directors of Fondiaria-SAI and the companies to be merged approved the merger project pursuant to Article 2501-*ter* of the Civil Code, including the By-laws of the post-merger entity and the relative illustrative reports pursuant to Article 2501-*quinquies* of the Civil Code. For further information, reference should be made to the Company's website in the section "Integration Project".

## Share swap ratio

The Board of Directors of Unipol Gruppo Finanziario S.p.A. (UGF), Unipol Assicurazioni, Fondiaria-SAI, Premafin and Milano Assicurazioni, meeting on December 20, 2012, approved, within the original integration project between the Unipol Group and the Fondiaria-SAI Group announced on January 29, 2012 (the "Integration Project") – the merger by incorporation of Unipol Assicurazioni, Premafin and Milano Assicurazioni into Fondiaria-SAI (the "Merger"). As communicated on several occasions to the market, the Merger constitutes an integral and essential part of the Integration Project. In relation to the Merger, the Board of Directors' meetings approved:

- the share swap ratios between the companies involved in the merger and the merging entity Fondiaria-SAI (the "Share swap Ratio");
- the shareholdings in the share capital of UnipolSai represented by ordinary and savings shares of the post-merger entity;
- the 2013-2015 Joint Industrial Plan of the merging entity commencing from the industrial guidelines of the Integration Project already announced to the market and which were updated on the basis of:
  - changes in the outlook for the market;
  - results for the first nine months of 2012;
  - the joint activities undertaken by Management of the companies involved in the Merger.

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

With the support of the respective financial advisors, the Boards of Directors of the companies involved in the merger approved the following share swap ratios:

- 0.050 Fondiaria-SAI ordinary share for every Premafin ordinary share;
- 1.497 Fondiaria-SAI ordinary shares for every Unipol Assicurazioni share;
- 0.339 Fondiaria-SAI ordinary share for every Milano Assicurazioni share;
- 0.549 Fondiaria-SAI "B" savings share for every Milano Assicurazioni saving share.

For the determination of the above-mentioned Share Swap Ratios, the valuation methodologies adopted were in line with the best national and international practice for similar operations. The correctness and the adequacy of the methodologies utilised and the fairness of the results obtained were confirmed by all of the financial advisors, both of the companies involved and the relative related party Committees (including leading financial institutions and acclaimed academics), which issued fairness opinions.

The Share Swap Ratios and the fairness of the Operation was also favourably approved by the related party Committees of the companies involved in the Merger. In relation to this the procedures for transactions with related parties adopted by UGF, Fondiaria-Sai, Premafin and Milano Assicurazioni were complied with. The Independent Directors Committee of UGF approved the share swap ratio unanimously. The Independent Directors Committee of Fondiaria-SAI approved the share swap ratios by majority, with the reasoned abstention of the Director Gianpaolo Galli. The Independent Directors Committee of Premafin approved the share swap ratio by majority with the opposing vote of the Director Luigi Reale. The Independent Directors Committee of Milano Assicurazioni approved the share swap ratio unanimously.

In the coming days the informational documents will be published in accordance with these procedures, in which further information will be provided on the matters outlined above.

For the determination of the Share Swap Ratios, the balance sheets as at September 30, 2012 were utilised, prepared in accordance with Article 2501-*quater* of the Civil Code. Consideration was also taken of events subsequent to the approval of the 2012 First Quarter report (reference period for the determination of the principal values of the Merger, communicated to the market in June 2012) and the operating performance in this period of the companies participating in the Merger.

The Turin Court appointed Reconta Ernst&Young S.p.A. as expert to prepare the fairness report on the Share Swap Ratios pursuant to Article 2501-*sexies* of the Civil Code.

**Shareholder structure of UnipolSai**

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

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

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

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

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

**Description of the operation**

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

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

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

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

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

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

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

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

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

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

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

## Approval of the 2013-2015 Industrial Plan of UnipolSai

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

The achievement of the complex integration process involved the creation of 26 separate projects teams, involving over 1000 persons, which drew up a wide range of projects of varying degrees of complexity in order to achieve the objectives of the three-year plan.

**Synergies and creation of value**

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

- operating costs: the synergies amount to approx. Euro 180 million, 17% of the aggregated cost base, in line with the average result of a sample of ten Italian and international comparable operations;
- Non-Life technical sector: the synergies amount to approx. Euro 100 million in the claims management area and reinsurance;

- revenues: the synergies are estimated at approx. Euro 70 million and are based on the implementation of internal best practices from productivity and optimisation of financial management.

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

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

## INSPECTIONS BY THE SUPERVISORY AUTHORITY

On June 15, 2012 ISVAP notified Fondiaria-SAI, its Board of Directors and Board of Statutory Auditors, of formal charges of citable conduct in accordance with Article 229 of Legs. Decree 209/2005 (Private Insurers' Code).

These charges related to issues deriving from the ISVAP inspection initiated on October 4, 2010 and the petition presented to the Board of Statutory Auditors on October 17, 2011 by the shareholder Amber Capital Investment Management, as manager of the Amber Global Opportunities Master Fund Ltd Fund, in accordance with Article 2408 of the Civil Code and in relation to which the Board of Statutory Auditors reported to the Shareholders' Meeting of March 19, 2012. The filed report is available on the Company website.

The ISVAP charges notified on June 15, 2012 relate to a number of transactions with related parties, and in particular a number of real estate operations with Immobiliare Costruzioni - Im.Co. S.p.A. ("IMCO") and its subsidiaries (companies controlled by the Ligresti family), the purchase of Atahotels in 2009, in addition to various types of compensation paid to members of the Ligresti family, directly (for real estate consultation provided to the Fondiaria SAI Group or as Directorship remuneration) or in favour of controlled companies (in relation to sponsoring operations), in previous years, and principally relating to the findings of the procedure begun on October 4, 2010 and the operations concerning the above-stated petition to the Board of Statutory Auditors as per Article 2408 of the Civil Code.

In the opinion of ISVAP, the charges concerned "serious irregularities" – considered citable under Article 229 of the Private Insurers Code - and the Authority therefore gave the company 15 days to completely discontinue such irregularities and to remove the effects of such, in accordance with paragraph 2 of the above-stated Article 229 - in particular through identifying and taking any disciplinary actions concerning the cited operations and in relation to the remuneration paid to related parties by taking appropriate actions to recover the amounts paid where considered correct.

In accordance with Article 229 of the Private Insurers' Code, on the lapsing of the allocated period without appropriate action, ISVAP could have appointed a Commissioner to carry out such duties.

As noted, Fondiaria-SAI – in relation to the issues cited by ISVAP and the petition presented to the Board of Statutory Auditors as per Article 2408 of the Civil Code - has put in place various initiatives (also those indicated by the Board of Statutory Auditors following the petition as per Article 2408 of the Civil Code), taking appropriate governance actions to ensure such irregularities are not repeated, establishing a specific Committee comprising only Independent Directors whose duty is to research and draw up proposals to be put to the Board of Directors to solve the irregularities encountered, in addition to evaluate if the conditions exist for the taking of specific actions. The specific Committee set up appointed a leading advisor to assist in these activities.

The Board of Directors of Fondiaria-SAI S.p.A., in a meeting held on June 19, 2012, under the Chairmanship of Cosimo Rucellai:

- having noted the ISVAP measure which requests an acceleration in the verifications and investigations which have been underway for some time concerning the operations contested;
- having noted that such verifications and investigations by the Company and the advisors appointed are still in course;
- established in any case the absolute need to proceed promptly, as indicated by ISVAP and approved the acceleration of the investigations in order to evaluate in a meeting of the Board to be held shortly thereafter, the proposals of management and the advisors relating to these operations, considered individually and overall, particularly in relation to: (i) any irregularities or violations of law or duties of diligence devolving to the directors or executives of the Company or its subsidiaries in relation to the above-mentioned operations; (ii) the identification of any responsibility of the directors, executives or third parties in relation to the matters verified; (iii) the actions to be undertaken by Fondiaria-SAI in order attain compensation for damages incurred or in order to mitigate the effects of the operations in question.

The Board of Directors of Fondiaria-SAI S.p.A., in a meeting chaired by Mr. Cosimo Rucellai on June 26, 2012, analysed the state of advancement of the examinations in relation to the operations subject to formal notification by ISVAP.
The Board of Directors, on the proposal of the Committee of Independent Directors, called a Shareholders' Meeting with the corporate responsibility action against Directors on the Agenda, conferring to the Chairman of the Board of Directors all necessary powers to carry out that resolved.
The Board also mandated the Chief Executive Officer and the General Manager, with the support of consultants, to draw up a detailed proposal for action. Following the investigations, management should have drawn up a proposal for the previously incorporated Committee of Independent Directors, which would have identified those parties subject to the actions, the individual instances of citable conduct and the damages caused.
In relation however to any actions against contractual counterparties and all other interested parties of the various operations, except for the need to acquire the opinion of the Committee of Independent Directors where necessary, the Board of Directors mandated the Chief Executive Officer and the General Manager to initiate any action considered appropriate in this regard.

On September 12, 2012, ISVAP considered that the actions proposed or implemented by the Company were not suitable to correct the situation which led to the charges cited in the notice of June 15, 2012, prolonging – according to the Institute – the inability of Fondiaria SAI to remedy the violations and the relative effects.

Therefore, ISVAP – considering the requirements of Article 229 of Legs. Decree No. 209 of September 7, 2005 to be in place - appointed, in accordance with the provision, Mr. Matteo Caratozzolo as an *ad acta* representative of Fondiaria SAI, also in its role as parent company, with the duty to implement the following actions, necessary to ensure legal compliance:

1) "with regard to the operations highlighted in ISVAP Notice No. 32-12-000057 of June 15, 2012, considered not just individually but in their entirety:
   - to identify individually the parties responsible for such operations impacting Fondiaria-SAI and its subsidiaries;
   - to establish the damage caused by the harmful actions and failures of such parties, identifying all relevant individuals;

2) based on the actions at point 1), undertake and promote all initiatives, also legal, necessary in Fondiaria SAI and its subsidiaries, in relation to the cited operations, to protect and to bolster the capital of Fondiaria SAI and its subsidiaries;

3) exercise, for the purposes at points 1) and 2), the powers devolving to Fondiaria SAI as parent company and shareholder in the Shareholders' Meetings of the subsidiaries".

The above-mentioned appointment was expected to be concluded by January 31, 2013.

For further information in relation to the extension of the mandate of the commissioner, reference should be made to "Significant events after the year-end".

## COMMENCEMENT OF MANAGEMENT AND DIRECTION ACTIVITY

On November 14, 2012, Unipol Gruppo Finanziario S.p.A. approved the commencement of the management and direction oversight of Premafin Finanziaria S.p.A. - Holding di Partecipazioni, of Fondiaria-SAI and the companies subject to management and direction by these latter.

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

On December 20, 2012, ISVAP updated the modifications to the "Unipol Insurance Group" consequent of the acquisition of control by Unipol Gruppo Finanziario S.p.A. of Premafin Finanziaria S.p.A. - Holding di Partecipazioni and, indirectly, of the companies controlled by this latter.

These changes resulted in a modification of the consolidation scope of the "Unipol Insurance Group", recorded in the Register at entry No. 46, and the cancellation in the Register of the "Fondiaria-SAI Insurance Group".

## CONSOB RESOLUTION NO. 18430 OF DECEMBER 21, 2012 RELATING TO FONDIARIA-SAI

It is stated that:

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

On December 21, 2012, CONSOB issued Resolution No. 18430, stating the non-compliance of the 2011 statutory and consolidated financial statements of Fondiaria-SAI with the applicable accounting standards and requested Fondiaria-SAI to disclose, pursuant to Article 154-*ter*, seventh paragraph, of the CFA, the following information:

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

Pursuant to the CONSOB resolution, Fondiaria-SAI made available to the public the information requested through a press release published on December 27, 2012, to which reference should be made (www.fondiaria-sai.it in the section Press Office).

# COMMUNICATIONS

## Press Office

The press office, under the direction of senior management, ensures a constant flow of information on the activities of Fondiaria-SAI at both institutional/corporate level and product level.

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

In particular, in 2012 significant importance was given to the project, still in course, of the merger by incorporation of Unipol Assicurazioni, Premafin and Milano Assicurazioni into Fondiaria-SAI. On this complex operation, in order to guarantee uniformity, transparency and continuity in the communications to the market, the press office issued all the corporate disclosure necessary, on the basis of indications from senior management and the competent departmental areas.

The press office also during the year coordinated the media presence at various corporate events, such as the Shareholders' Ordinary and Extraordinary Meetings and the Board of Directors' meetings and meetings with analysts. The press office, in addition, promoted and managed meetings with newspapers and magazines to support the issue of information about services and products offered by the Group. Finally, the office ensured the daily report of the press review to senior management and its publication on the company's intranet.

In total, Fondiaria-SAI issued 79 press releases, Milano Assicurazioni issued 37 and there were 2 joint press releases.

## Customer relations

The number of complaints received by the Company pursuant to Regulation No. 24 of May 19, 2008 in 2012 saw substantial stability (5,976 complaints in 2012, 5,978 in 2011). At December 31, 2012, 94% of claims received were responded to. The average response time was 18.8 days.

At December 31, 2012 therefore 5.9% of claims received were still open.

Claims relating to the Non-Life Division represent 97.5% of the total at December 31, 2012, with the remaining 2.5% concerning the Life Division.
Of all claims received 76.4% relate to the Motor TPL and Pleasure Boat classes. In this class, with reference to the fault of the relative claims, 51.3% refer to Motor claims managed under the Direct Compensation system.
The highest amount of claims received by Fondiaria-SAI in the January – December 2012 period (42.7%) were presented by legal professionals, following direct claims (39.4%) and claims from consultants at 13.0% comprising the third most numerous category. 0.6% were received from consumer associations or organisations representing collective interests. The majority of claims (53.9%) concern policyholders, followed by third parties (32.6%), with contracting parties comprising 6.8% and beneficiaries 3.9%. The geographic distribution of claims highlight 38.8% from the Southern regions, with the North and Central regions comprising respectively 25.3% and 19.7% of the total. 12.8% of the complaints came from the islands.

# MANAGEMENT OF RISKS

## The risk management model, duties and responsibilities

### The Enterprise Risk Management model and the estimate of the Economic Capital

The Risk Management Model adopted by the Fondiaria-SAI Group is based on the rationale of **Enterprise Risk Management**:

- aimed to generate the risk management culture in the Group among the different hierarchy levels;
- based on an integrated viewpoint of all of the current and future risks which the Group is exposed to and assessing the impact that these risks can have on solvency and achieving targets.

Within the ERM system, the internal model provides several quantitative instruments. Some of these aim to obtain information on the management of:

- the **Economic Capital**;
- measures of **Risk Adjusted** profit;
- fixed operating limits including using **Value at Risk**.

The model adopted for the valuation of the risk is based on the estimate of the **Economic Capital** (EC), or rather a **Risk Capital** model to estimate the capital necessary to evaluate the solvency of the Group, in line with the **Risk Appetite** objective. The model is constantly changing and is regularly updated with the target so that it is always adequate to the risks assumed, to the changes in the regulations and to technical and methodological innovations.
The assessment of the above-mentioned quantifiable risks is determined using an ALM approach through the internal model utilising best practice procedures.

The ALM estimate results in an analysis of the shock of the risk variables on both asset and liability accounts in the financial statements.

This phenomenon is significant for financial variables and in particular for interest rate risk. A shock of this size impacts significantly on all interest rate sensitive bond securities and on the value of the Life actuarial provisions and Non-Life claims provisions, due to the discounting of the cash flows.

The financial risks reported below however are reported without taking into account the ALM aspect. The compensating principle defined by this method is principally applicable on a “Total Balance Sheet” basis defined by Solvency II.
Accounting standards marginally allow the adoption of this technique, and for clarity no calculations were inconsistent with the criteria of the accounting principles used for the preparation of the financial statements. Technical risks are assessed through internal models and the models proposed by the standard QIS5 formula. The most significant component is the underwriting risk in the Non-Life sector, in particular the provision risk and the premium risk. The catastrophic risk has a reduced weight taking into account the mitigating effect of the reinsurance agreements. Term life and redemption risks and inflation currently represent a minor technical risk. The risk of advanced redemption is monitored on an ongoing basis as the trend, if confirmed over the long-term, may create concerns on the financial variables.

# Information on Financial Risks

## Objectives and criteria of the financial risk management

In relation to the financial risk management objectives and policies, as well as the Group mitigation policies, the Board of Directors issued guidelines for the allocation of the securities portfolio and the use of financial instrument derivatives.
The policy adopted aims to guarantee:
- adequate diversification, avoiding excessive concentration;
- readily liquid portion of investments;
- ensuring consistency between assets and liabilities using ALM policies;
- prudent management, limiting the exposure in securities with low credit ratings;
- use of derivative instruments principally for hedging purposes.

In line with these objectives, specific operating limits are defined for all types of financial risks, also considering exposure to risk concentration.

The structure of the limits is extended to the principal asset classes which make up the investments, in particular, the limits are defined in terms of:
- maximum percentage per asset class of the total Assets Under Management (Total Investments);
- concentration by issuer/counterparty;
- rating;
- VaR;
- duration gap (Non-Life and Life);
- liquidity – in terms of maximum percentage of "illiquid" instruments.

The portfolio structure of the assets in the Life Division is in line with the structure of the liabilities, in which the securities cover the liabilities. For the Non-Life Insurance Sector, the assets are selected mainly in view of foreseeable changes in the settlement of claims for which the provision was intended.

**Market risk**
Market risk represents the risk of unexpected losses due to changes in interest rates, share prices, exchange rates and property prices.

The monitoring system provides for the evaluation of the economic impact deriving from these variables through measures such as VaR which permit:
- uniform risk measures which allow comparison of different instruments;
- position limits to be determined;
- "risk-adjusted" measures to be created.

In particular, the measures adopted are:
- short-term VaR, i.e. the VaR calculated on a time period of ten working days;
- the Risk Capital, or rather the VaR calculated on a time period of one year.

The analysis of the VaR and the Risk Capital at 31/12/12 is shown below of the equity and bond portfolio calculated at a confidence level of 99.5%.

**Table 4 – Analysis of the Value at Risk of the Life Division at 31/12/12**

| Type | Composition % (Exact holding) | VaR Rate Price % | VaR Exchange % | VaR Total % |
|---|---|---|---|---|
| Total listed shares | 4.15 | 10.08 | 0.04 | 10.12 |
| Total Derivatives | (0.01) | N/A | 0.00 | N/A |
| Net equity exposure | 4.13 | 7.88 | 0.04 | 7.92 |
| Total Securities | 84.42 | 0.78 | 0.00 | 0.78 |
| Total non-listed shares | 3.87 | 4.47 | 0.00 | 4.47 |
| Total | 92.43 | 1.25 | 0.00 | 1.26 |
| Other assets | 7.57 | 0.79 | 0.00 | 0.79 |
| Total | 100.00 | 1.22 | 0.00 | 1.22 |

**Table 5 – Analysis of the Value at Risk of the Life Division at 31/12/2011**

| Type | Composition % (Exact holding) | VaR Rate Price % | VaR Exchange % | VaR Total % |
|---|---|---|---|---|
| Total listed shares | 4.70 | 13.09 | 0.22 | 13.31 |
| Total Derivatives | (0.01) | N/A | 0.00 | N/A |
| Net equity exposure | 4.69 | 12.22 | 0.22 | 12.44 |
| Total Securities | 80.89 | 1.36 | 0.00 | 1.37 |
| Total non-listed shares | 8.68 | 6.22 | 0.00 | 6.22 |
| Total | 94.26 | 2.35 | 0.01 | 2.36 |
| Other assets | 5.74 | 1.38 | 0.00 | 1.38 |
| Total | 100.00 | 2.30 | 0.01 | 2.31 |

**Table 6 – Analysis of the Value at Risk of the Non-Life Division at 31/12/12**

| Type | Composition % (Exact holding) | VaR Rate Price % | VaR Exchange % | VaR Total % |
|---|---|---|---|---|
| Total listed shares | 11.39 | 11.73 | 0.01 | 11.74 |
| Total Derivatives | 0.11 | N/A | 0.00 | N/A |
| Net equity exposure | 11.50 | 4.94 | 0.01 | 4.94 |
| Total Securities | 44.13 | 0.61 | 0.00 | 0.61 |
| Total non-listed shares | 42.16 | 4.98 | 0.00 | 4.99 |
| Total | 97.78 | 3.00 | 0.00 | 3.01 |
| Other assets | 2.22 | 0.60 | 0.00 | 0.60 |
| Total | 100.00 | 2.95 | 0.00 | 2.95 |

### Table 7 – Analysis of the Value at Risk of the Non-Life Division 31/12/2011

| Type | Composition % (Exact holding) | VaR Rate Price % | VaR Exchange % | VaR Total % |
|---|---|---|---|---|
| Total listed shares | 12.20 | 13.39 | 0.01 | 13.40 |
| Total Derivatives | 0.01 | N/A | 0.00 | N/A |
| Net equity exposure | 12.21 | 7.35 | 0.01 | 7.36 |
| Total Securities | 33.47 | 0.76 | 0.00 | 0.76 |
| Total unlisted shares | 51.77 | 5.70 | 0.00 | 5.70 |
| Total | 97.45 | 4.21 | 0.00 | 4.21 |
| Other assets | 2.55 | 0.76 | 0.00 | 0.76 |
| Total | 100.00 | 4.12 | 0.00 | 4.12 |

*Notes:*
*The percentage weight is calculated taking as reference the listed value.*
*The column "Price/VaR Rate" and "VaR Exchange %" shows the percentage on the market values.*
*The VaR of the derivatives reduces the risks of the equity positions (hedge operations).*
*The account other assets includes structured securities.*

### Table 8 - Analysis of the Risk Capital of the Life Division at 31/12/12

| Type | Composition % (Exact holding) | Risk Capital Rate Price % | Risk Capital Exchange % | Risk Capital Total % |
|---|---|---|---|---|
| Total listed shares | 4.15 | 37.50 | 0.18 | 37.68 |
| Total Derivatives | (0.01) | N/A | 0.00 | N/A |
| Net equity exposure | 4.13 | 35.65 | 0.18 | 35.82 |
| Total Securities | 84.42 | 3.32 | 0.01 | 3.32 |
| Total non-listed shares | 3.87 | 20.13 | 0.00 | 20.13 |
| Total | 92.43 | 5.47 | 0.01 | 5.48 |
| Other assets | 7.57 | 3.36 | 0.00 | 3.36 |
| Total | 100.00 | 5.31 | 0.01 | 5.32 |

### Table 9 - Analysis of the Risk Capital of the Life Division at 31/12/11

| Type | Composition % (Exact holding) | Risk Capital Rate Price % | Risk Capital Exchange % | Risk Capital Total % |
|---|---|---|---|---|
| Total listed shares | 4.70 | 47.12 | 1.01 | 48.13 |
| Total Derivatives | (0.01) | N/A | 0.00 | N/A |
| Net equity exposure | 4.69 | 46.52 | 1.01 | 47.53 |
| Total Securities | 80.89 | 6.57 | 0.01 | 6.58 |
| Total non-listed shares | 8.68 | 27.20 | 0.00 | 27.20 |
| Total | 94.26 | 10.46 | 0.06 | 10.52 |
| Other assets | 5.74 | 6.68 | 0.00 | 6.68 |
| Total | 100.00 | 10.24 | 0.06 | 10.30 |

### Table 10 - Analysis of the Risk Capital of the Non-Life Division at 31/12/12

| Type | Composition % (Exact holding) | Risk Capital Rate Price % | Risk Capital Exchange % | Risk Capital Total % |
|---|---|---|---|---|
| Total listed shares | 11.39 | 42.60 | 0.03 | 42.63 |
| Total Derivatives | 0.11 | N/A | 0.00 | N/A |
| Net equity exposure | 11.50 | 31.43 | 0.03 | 31.45 |
| Total Securities | 44.13 | 2.54 | 0.00 | 2.54 |
| Total non-listed shares | 42.16 | 21.93 | 0.01 | 21.94 |
| Total | 97.78 | 14.30 | 0.01 | 14.30 |
| Other assets | 2.22 | 2.52 | 0.00 | 2.52 |
| Total | 100.00 | 14.03 | 0.01 | 14.04 |

### Table 11 - Analysis of the Risk Capital of the Non-Life Division at 31/12/11

| Type | Composition % (Exact holding) | Risk Capital Rate Price % | Risk Capital Exchange % | Risk Capital Total % |
|---|---|---|---|---|
| Total listed shares | 12.20 | 47.70 | 0.05 | 47.75 |
| Total Derivatives | 0.01 | N/A | 0.00 | N/A |
| Net equity exposure | 12.21 | 39.23 | 0.05 | 39.28 |
| Total Securities | 33.47 | 3.71 | 0.00 | 3.71 |
| Total non-listed shares | 51.77 | 24.66 | 0.01 | 24.67 |
| Total | 97.45 | 19.29 | 0.01 | 19.30 |
| Other assets | 2.55 | 3.69 | 0.00 | 3.69 |
| Total | 100.00 | 18.89 | 0.01 | 18.90 |

*The percentage weight is calculated taking as reference the listed value.*
*The columns "Risk Capital Rate/Price" and "Risk Capital Exchange %" show the percentage on the market values.*
*The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).*
*The account other assets includes structured securities.*

The decrease in the overall risk exposure of the portfolio was seen across the various bond and equity sectors following the reduction in volatility on the principal markets.

**Interest rate risk**

In relation to the interest rate risk, or rather "the risk of unexpected loss deriving from an adverse movement in interest rates", the exposure of the Company principally regards debt securities and in particular long maturity. In order to limit this risk, the Group utilises a mixture of fixed income and variable rate securities. ALM aims to maintain a balance between the duration of assets and liabilities.

Through the use of stochastic models, in addition to the VaR estimate, stress tests are also undertaken utilising extreme interest rate scenario. The table below reports a sensitivity analysis of the value of the bond portfolio (with reference only to the financial assets) corresponding to an increase and a decrease in the interest rates of 50 bp.

**Table 12 – Sensitivity analysis of the bond component**

| ( Euro millions) | + 50 bp | | - 50 bp | |
|---|---|---|---|---|
| | **31/12/2012** | **31/12/2011** | **31/12/2012** | **31/12/2011** |
| **Total** | **(314)** | **(254)** | **334** | **271** |
| of which Non-Life | (61) | (22) | 64 | 23 |
| of which Life | (253) | (233) | 270 | 249 |

*The structured securities are not included*

The table below shows the analysis of the duration, VaR and Risk Capital of the bond portfolio at December 31, 2012 broken down by type of issuer and maturity.

**Table 13 - Analysis of Life Division bond component by VaR and Risk Capital maturity**

| Type | Composition % (Exact holding) | Duration Macaulay | Sensitivity Rate % | VaR Rate % | Risk Capital Rate % |
|---|---|---|---|---|---|
| **Government Euro** | **78.98** | **6.91** | **(4.26)** | **0.83** | **3.60** |
| ***Variable rate*** | ***12.96*** | ***0.82*** | ***(0.75)*** | ***0.12*** | ***0.46*** |
| ***Fixed rate*** | ***66.01*** | ***7.95*** | ***(4.86)*** | ***0.97*** | ***4.22*** |
| 0,0< <=1,5 | 5.00 | 0.47 | (0.45) | 0.06 | 0.06 |
| 1,5< <=3,0 | 5.91 | 2.05 | (1.87) | 0.31 | 0.84 |
| 3,0< <=5,5 | 11.52 | 4.19 | (3.44) | 0.62 | 2.41 |
| 5,5< <=7 | 5.44 | 5.61 | (4.32) | 0.82 | 3.42 |
| >7 | 38.14 | 10.65 | (6.08) | 1.32 | 5.94 |
| **Corporate Euro** | **20.07** | **3.95** | **(3.08)** | **0.54** | **2.06** |
| ***Variable rate*** | ***0.11*** | ***0.26*** | ***(0.25)*** | ***0.03*** | ***0.30*** |
| ***Fixed rate*** | ***19.95*** | ***3.97*** | ***(3.09)*** | ***0.54*** | ***2.07*** |
| 0,0< <=1,5 | 4.65 | 1.00 | (0.96) | 0.15 | 0.16 |
| 1,5< <=3,0 | 3.39 | 1.87 | (1.72) | 0.28 | 0.69 |
| 3,0< <=5,5 | 5.96 | 4.08 | (3.35) | 0.60 | 2.33 |
| 5,5< <=7 | 1.81 | 5.58 | (4.30) | 0.78 | 3.25 |
| >7 | 4.14 | 7.44 | (5.23) | 1.02 | 4.46 |
| **Euro Bond Funds** | **0.92** | **3.00** | **(2.63)** | **0.42** | **1.45** |
| ***Fixed rate*** | ***0.92*** | ***3.00*** | ***(2.63)*** | ***0.42*** | ***1.45*** |
| 1,5< <=3,0 | 0.92 | 3.00 | (2.63) | 0.42 | 1.45 |
| **Government Non Euro** | **0.03** | **2.70** | **(1.79)** | **0.10** | **0.70** |
| ***Fixed rate*** | ***0.03*** | ***2.70*** | ***(1.79)*** | ***0.10*** | ***0.70*** |
| 0,0< <=1,5 | 0.02 | 0.42 | (0.42) | 0.03 | 0.00 |
| 1,5< <=3,0 | 0.01 | 2.08 | (1.94) | 0.07 | 0.38 |
| 3,0< <=5,5 | 0.00 | 4.03 | (3.90) | 0.16 | 1.15 |
| >7 | 0.00 | 13.76 | (6.19) | 0.68 | 6.13 |
| **Corporate Non Euro** | **0.00** | **4.87** | **(3.71)** | **0.29** | **2.29** |
| ***Fixed rate*** | ***0.00*** | ***4.87*** | ***(3.71)*** | ***0.29*** | ***2.29*** |
| 3,0< <=5,5 | 0.00 | 4.87 | (3.71) | 0.29 | 2.29 |
| **Total Bonds** | **99.08** | **6.36** | **(4.04)** | **0.77** | **3.29** |
| **Total** | **100.00** | **6.33** | **(4.03)** | **0.77** | **3.27** |

**Table 14 - Analysis of the Non-Life bond component by VaR and Risk Capital maturity**

| Type | Composition % (Exact holding) | Duration Macaulay | Sensitivity Rate % | VaR Rate % | Risk Capital Rate % |
|---|---|---|---|---|---|
| **Government Euro** | **91.21** | **4.70** | **(3.37)** | **0.62** | **2.60** |
| ***Variable rate*** | ***17.14*** | ***0.80*** | ***(0.70)*** | ***0.11*** | ***0.47*** |
| ***Fixed rate*** | ***74.06*** | ***5.56*** | ***(3.97)*** | ***0.74*** | ***3.10*** |
| 0,0< <=1,5 | 12.19 | 0.30 | (0.29) | 0.03 | 0.00 |
| 1,5< <=3,0 | 7.62 | 2.21 | (2.00) | 0.32 | 0.92 |
| 3,0< <=5,5 | 15.98 | 4.06 | (3.36) | 0.59 | 2.28 |
| 5,5< <=7 | 2.14 | 5.41 | (4.21) | 0.79 | 3.29 |
| >7 | 36.13 | 8.16 | (5.52) | 1.12 | 4.95 |
| **Corporate Euro** | **8.74** | **3.16** | **(2.55)** | **0.42** | **1.54** |
| ***Fixed rate*** | ***8.74*** | ***3.16*** | ***(2.55)*** | ***0.42*** | ***1.54*** |
| 0,0< <=1,5 | 3.01 | 0.62 | (0.60) | 0.09 | 0.00 |
| 1,5< <=3,0 | 1.54 | 2.60 | (2.31) | 0.39 | 1.25 |
| 3,0< <=5,5 | 2.67 | 4.07 | (3.35) | 0.59 | 2.28 |
| 5,5< <=7 | 0.06 | 4.72 | (3.72) | 0.69 | 2.82 |
| >7 | 1.46 | 7.26 | (5.26) | 0.83 | 3.64 |
| **Euro Bond Funds** | **0.05** | **3.00** | **(2.63)** | **0.42** | **1.45** |
| ***Fixed rate*** | ***0.05*** | ***3.00*** | ***(2.63)*** | ***0.42*** | ***1.45*** |
| 1,5< <=3,0 | 0.05 | 3.00 | (2.63) | 0.42 | 1.45 |
| **Total Bonds** | **99.95** | **4.57** | **(3.31)** | **0.60** | **2.51** |
| **Total** | **100.00** | **4.57** | **(3.31)** | **0.60** | **2.51** |

*The percentage weight is calculated taking as reference the values utilised in the analysis.*
*The analysis does not include structured securities.*
*The sensitivity is calculated as a shock of 100 bps on the short term rate.*

## Equity risk, exchange risk and real estate risk

The equity risk "risk of unexpected losses deriving from adverse changes in equity prices" and the foreign exchange risk "risk of unexpected losses deriving from adverse changes in exchange rates" are valued as stochastic models calibrated on the market.

The valuation of the assets utilises the volatility of the underlying and associated benchmarks. The volatility recorded on the basis of the above-mentioned criteria is then used as input for the calculation of the VaR and Risk Capital.

The impact in the income statement is shown below of a reduction in listed equity prices of 10%. The analysis was carried out gross of the tax effects.

**Table 15 – Sensitivity analysis of the listed equity portfolio**

| ( Euro millions) | **31/12/2012** | **31/12/2011** |
|---|---|---|
| **Total** | **(74)** | **(71)** |
| of which Non-Life | (42) | (37) |
| of which Life | (32) | (35) |

The table below shows the VaR and Risk Capital analysis relating to the equity risk and exchange risk (of the equity and bond portfolio) broken down by currency.

**Table 16 – VaR analysis relating to the equity and exchange portfolio of the Life classes at December 31, 2012**

| Type | Currency | Composition % (Exact holding) | VaR Rate Price % | VaR Exchange % | VaR Total % |
|---|---|---|---|---|---|
| Shares | Euro | 4.07 | 10.01 | 0.00 | 10.01 |
| | Swiss Franc | 0.04 | 14.16 | 0.84 | 15.00 |
| | UK Sterling | 0.04 | 13.72 | 2.96 | 16.67 |
| | **Total listed shares** | **4.15** | **10.08** | **0.04** | **10.12** |
| Derivatives on shares | Euro | (0.01) | N/A | 0.00 | N/A |
| | **Total Derivatives** | **(0.01)** | **N/A** | **0.00** | **N/A** |
| | **Net equity exposure** | **4.13** | **7.88** | **0.04** | **7.92** |
| Bond funds | Euro | 0.79 | 0.42 | 0.00 | 0.42 |
| Bonds | US Dollar | 0.02 | 0.13 | 4.41 | 4.54 |
| | Euro | 83.60 | 0.78 | 0.00 | 0.78 |
| | Swiss Franc | 0.01 | 0.06 | 0.86 | 0.92 |
| | Japanese Yen | 0.00 | 0.16 | 5.79 | 5.95 |
| | **Total Bond Funds** | **84.42** | **0.78** | **0.00** | **0.78** |
| Shares | Euro | 3.87 | 4.47 | 0.00 | 4.47 |
| | **Total non-listed shares** | **3.87** | **4.47** | **0.00** | **4.47** |
| | **Total** | **92.43** | **1.25** | **0.00** | **1.26** |
| | Euro | 7.57 | 0.79 | 0.00 | 0.79 |
| | **Other assets** | **7.57** | **0.79** | **0.00** | **0.79** |
| | **Total** | **100.00** | **1.22** | **0.00** | **1.22** |

**Table 17 – VaR analysis relating to the equity and exchange portfolio of the Non-Life classes at December 31, 2012**

| Type | Currency | Composition % (Exact holding) | VaR Rate Price % | VaR Exchange % | VaR Total % |
|---|---|---|---|---|---|
| Shares | US Dollar | 0.01 | 4.84 | 4.36 | 9.20 |
| | Euro | 11.37 | 11.74 | 0.00 | 11.74 |
| | **Total listed shares** | **11.39** | **11.73** | **0.01** | **11.74** |
| Derivatives on shares | Euro | 0.11 | N/A | 0.00 | N/A |
| | **Total Derivatives** | **0.11** | **N/A** | **0.00** | **N/A** |
| | **Net equity exposure** | **11.50** | **4.94** | **0.01** | **4.94** |
| Bond funds | Euro | 0.02 | 0.42 | 0.00 | 0.42 |
| Bonds | Euro | 44.11 | 0.61 | 0.00 | 0.61 |
| | **Total Bond Funds** | **44.13** | **0.61** | **0.00** | **0.61** |
| Shares | US Dollar | 0.03 | 6.08 | 4.36 | 10.44 |
| | Euro | 42.13 | 4.98 | 0.00 | 4.98 |
| | **Total non-listed shares** | **42.16** | **4.98** | **0.00** | **4.99** |
| | **Total** | **97.78** | **3.00** | **0.00** | **3.01** |
| | Euro | 2.22 | 0.60 | 0.00 | 0.60 |
| | **Other assets** | **2.22** | **0.60** | **0.00** | **0.60** |
| | **Total** | **100.00** | **2.95** | **0.00** | **2.95** |

*The percentage weight is calculated taking as reference the listed value.*
*The column "VaR Price %" and "VaR Foreign Exchange %" shows the percentage on the market values.*
*The VaR of the derivatives reduces the risks of the equity positions (hedge operations).*
*The account other assets includes structured securities.*

**Table 18 – Risk Capital analysis relating to the Life Classes equity and exchange portfolio at 31/12/2012**

| Type | Currency | Composition % (Exact holding) | Risk Capital Rate Price % | Risk Capital Exchange % | Risk Capital Total % |
|---|---|---|---|---|---|
| Shares | Euro | 4.07 | 37.20 | 0.00 | 37.20 |
| | Swiss Franc | 0.04 | 54.52 | 4.16 | 58.69 |
| | UK Sterling | 0.04 | 52.27 | 14.10 | 66.36 |
| | **Total listed shares** | **4.15** | **37.50** | **0.18** | **37.68** |
| Derivatives on shares | Euro | -0.01 | N/A | 0.00 | N/A |
| | **Total Derivatives** | **-0.01** | **N/A** | **0.00** | **N/A** |
| | **Net equity exposure** | **4.13** | **35.65** | **0.18** | **35.82** |
| Bond funds | Euro | 0.79 | 1.45 | 0.00 | 1.45 |
| Bonds | US Dollar | 0.02 | 0.91 | 20.58 | 21.49 |
| | Euro | 83.60 | 3.34 | 0.00 | 3.34 |
| | Swiss Franc | 0.01 | 0.30 | 4.25 | 4.54 |
| | Japanese Yen | 0.00 | 1.15 | 26.46 | 27.61 |
| | **Total Bond Funds** | **84.42** | **3.32** | **0.01** | **3.32** |
| Shares | Euro | 3.87 | 20.13 | 0.00 | 20.13 |
| | **Total non-listed shares** | **3.87** | **20.13** | **0.00** | **20.13** |
| | **Total** | **92.43** | **5.47** | **0.01** | **5.48** |
| | Euro | 7.57 | 3.36 | 0.00 | 3.36 |
| | **Other assets** | **7.57** | **3.36** | **0.00** | **3.36** |
| | **Total** | **100.00** | **5.31** | **0.01** | **5.32** |

**Table 19 – Risk Capital analysis relating to the equity and exchange portfolio of the Life classes at 31/12/2012**

| Type | Currency | Composition % (Exact holding) | VaR Rate Price % | VaR Exchange % | VaR Total % |
|---|---|---|---|---|---|
| Shares | US Dollar | 0.01 | 22.34 | 20.35 | 42.68 |
| | Euro | 11.37 | 42.63 | 0.00 | 42.63 |
| | **Total listed shares** | **11.39** | **42.60** | **0.03** | **42.63** |
| Derivatives on shares | Euro | 0.11 | N/A | 0.00 | N/A |
| | **Total Derivatives** | **0.11** | **N/A** | **0.00** | **N/A** |
| | **Net equity exposure** | **11.50** | **31.43** | **0.03** | **31.45** |
| Bond funds | Euro | 0.02 | 1.45 | 0.00 | 1.45 |
| Bonds | Euro | 44.11 | 2.54 | 0.00 | 2.54 |
| | **Total Bond Funds** | **44.13** | **2.54** | **0.00** | **2.54** |
| Shares | US Dollar | 0.03 | 27.47 | 20.35 | 47.82 |
| | Euro | 42.13 | 21.93 | 0.00 | 21.93 |
| | **Total non-listed shares** | **42.16** | **21.93** | **0.01** | **21.94** |
| | **Total** | **97.78** | **14.30** | **0.01** | **14.30** |
| | Euro | 2.22 | 2.52 | 0.00 | 2.52 |
| | **Other assets** | **2.22** | **2.52** | **0.00** | **2.52** |
| | **Total** | **100.00** | **14.03** | **0.01** | **14.04** |

*The percentage weight is calculated taking as reference the listed value.*
*The column "Price Risk Capital %" and "Risk Capital Foreign Exchange %" shows the percentage on the market values.*
*The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).*
*The account other assets includes structured securities.*

In relation to the real estate risk, i.e. the risk related to the unexpected depreciation of the value of property, the valuation is made based on the type of investment and reference to fair value. The analysis model for residential and commercial buildings is adapted to a historical series of price indices, relating to the trend in market prices recorded in the real estate transactions at a national level.

**Credit risk**

The analysis of the credit risk is broken down as follows:

- **Counterparty Default Risk**, i.e. the risk of possible losses due to unexpected defaults by counterparties and debtors, excluding issuers of bond securities falling under spread risk. In general, this category includes receivables from reinsurers, other receivables and receivables relating to derivatives.
- **Spread Risk**, i.e. the risk related to the change in the value of the bonds held in portfolio against changes in the ratings level of the issuer.

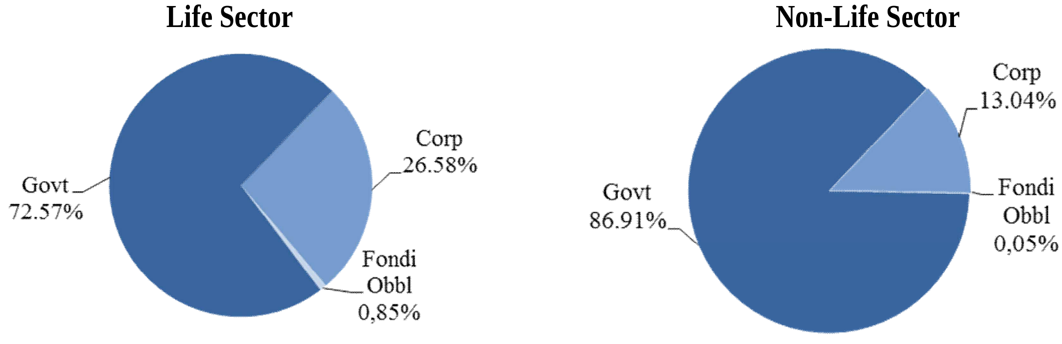
The internal model utilises two models to determine the spread risk.

The first model evaluates the probability of default of the issuers present in the portfolio, while the second takes into account the loss in value of the portfolio as a result of issuer "migration" from one rating class to another. This latter is considered more suitable for the overall determination of the Economic Capital. On the basis of these models, the exposure of the Company to the credit risk is periodically monitored.

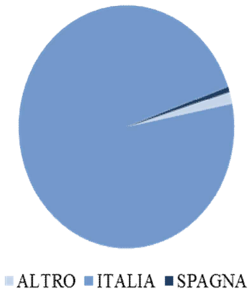
In relation to the control of overall exposition to credit risk, specific resolutions of the Board of Directors have set fixed limits in terms of concentration for reinsurers and rating classes.

The graph shows the bond portfolio by issuer, rating and segment.

**Graph 6 - Composition of the Bond portfolio**



**Graph 7 – Government bond portfolio by country of the Life Division**

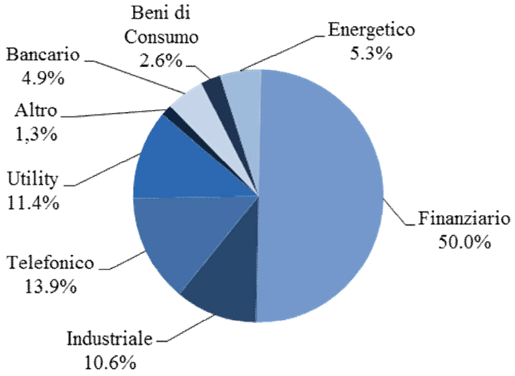



| Issuer country | Percentage |
|---|---|
| BELGIUM | 0.10 |
| CANADA | 0.06 |
| FRANCE | 0.36 |
| GERMANY | 0.25 |
| IRELAND | 0.33 |
| ITALY | 97.66 |
| HOLLAND | 0.10 |
| PORTUGAL | 0.05 |
| SOVRANATIONAL | 0.42 |
| SPAIN | 0.69 |
| HUNGARY | 0.01 |

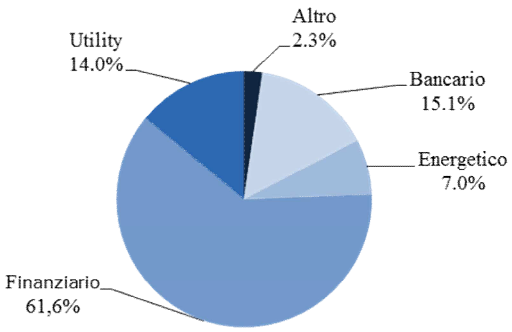
**Graph 9 – Corporate bond portfolio by segment**

**Composition of corporate bonds by segment**

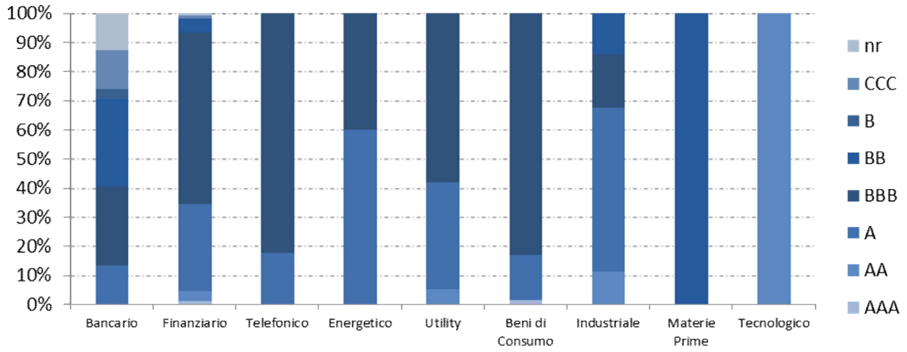
**Life Sector**



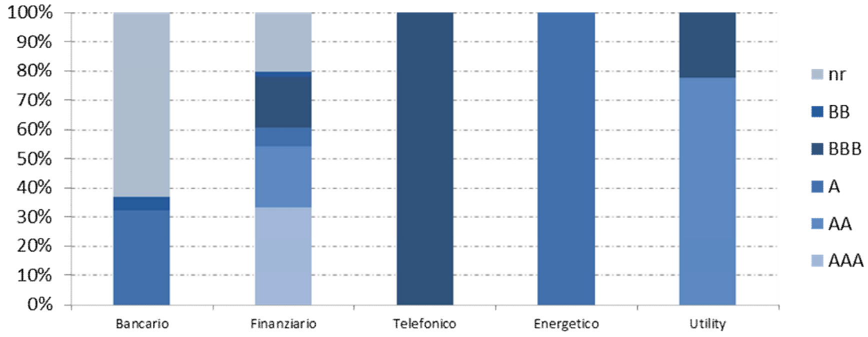

**Non-Life Sector**



**Graph 12 - Corporate bond portfolio by sector and rating of the Life sector**



**Graph 13 - Corporate bond portfolio by sector and rating of the Non-Life sector**




**Liquidity risk**

Liquidity risk is “the risk of not being able to fulfil obligations towards policyholders and other creditors due to difficulties in converting investments into cash without incurring losses".

For the management of liquidity, the Company adopted an organisational system based on the centralisation of the financial cash flows through the Group Treasury. This system guarantees, not only rational monitoring of all the inflows and outflows (assisted by daily cash pooling), but also the optimisation of returns on the liquidity realised through the centralised management of the excess liquidity in respect of scheduled commitments. The Group Treasury activities seek to ensure a balance between the maintaining of sufficient liquid funds to cover any unexpected obligations to policyholders and suppliers and allocating excess liquidity to more remunerative investment operations.

The funds in restricted 24 hour deposit accounts (so-called time deposits) are managed by counterparty banks according to the following criteria:

- maximisation of returns;
- reliability of the counterparty;
- diversification among several counterparties.

Limits have been set for investments, on the basis of the Group Risk Policy, in terms of illiquid assets as a proportion of total assets under management (AUM).

# Information on operating risks

## The framework of Operational Risk Management

The Fondiaria-Sai Group developed a framework – for the identification, measuring, monitoring and management of the Operating Risks, which relates to "*the risk of losses deriving from the inefficiencies of persons, processes and systems, including those utilised for distance selling, or from external events, such as fraud or the outsourced supply of services (outsourcing risk)*". Based on the framework of Operational Risk Management, the relationships and the reciprocal impacts between Operating Risks and the risks indicated in the Map are also considered, which include risk compliance and reputational risk, with the objective to evaluate the direct and indirect effects of events relating to operating risks. In particular, the analysis adopted is aimed at understanding, according to the casual logic the risk factors, events and effects (monetary and non monetary) as well as the impacts that these effects can have on the solvency of the Group and achieving the objectives set.

Within the corporate governance structure of the Group, the Operational Risk Management activity is undertaken by the Operational Risk Management, IT, Business Continuity and Data Quality Unit within the Risk Management Department of the Parent Company Fondiaria-SAI. The objectives assigned to this unit, within the internal control system, have the objective to ensure the safeguarding of the Group assets, the adequate control of the risks and the improvement of the efficiency of the business processes.
In undertaking its activities, the Risk Management department works with the Risk and Control Manager (RRC), who reports hierarchically to the Process owner and functionally to the Risk Management Department.

In relation to the classification of the Operating Risks, the model adopted is that of the event type in the banking area (Basilea II) and which the current orientation of EIOPA refers to within Solvency II. This classification, structured on three levels was modified for the second and the third levels to adapt it to the specific problems and internal analysis models. The first level of the classification is shown below.

**Table 20 – Classification of the operating risk**

**Classification levels**

| | |
|---|---|
| **1** | Internal fraud |
| **2** | External fraud |
| **3** | Employment relationship and workplace security |
| **4** | Clients, products and business practices |
| **5** | Damage to tangible assets |
| **6** | Interruption/reduction of operations |
| **7** | Execution, delivery and management of processes |

**Activity carried out**

During the last quarter of the year an integration process of the management of operating risks was introduced with the Unipol Group. Based on a comparison of the methodologies, which present differing approaches but are complementary in many aspects, it was decided to review the operative risk analysis methodology to include the best aspects within the relative entities.

In substance, the new methodology project, which reached a rather advanced stage, provides for the following:

- the underlying organisational model will recalculate that currently applied by Fondiaria-SAI with a network of analysts within the business guidelines coordinated by the Risk Management;
- the metric adopted for the evaluation will be that the utilised by Unipol for the drawing up of an internal statistical model.

A similar approach to the integration process was followed for the establishment of business continuity plans; in fact, maintaining the existing approach for the Companies involved in the integration process, a joint table to establish a Business Continuity Operating Model, commenced in order to guarantee the objectives of the new Group. The process involves the joint analysis of the strength and weaknesses of the two models and the establishment of a model which both guarantees the continuity of the new processes and of the new organisations according to international standards (ISO 22301), obviously also promoting the best practices in the current structures.

The activities concerning the management of IT operating risks are under review as Group organisational model provides for the development of roles and functions. However for 2013 the risk evaluation activities and security policy considerations continue for the components of the IT system stemming from the ex Fondiaria-SAI Group.

## COMPLIANCE WITH PRIVACY LAWS (LEGISLATIVE DECREE NO. 196/2003)

The Company has undertaken all the necessary measures to ensure compliance with the legal obligations in relation to the protection of personal data (Legislative Decree No. 196/2003), in order to guarantee the protection and integrity of the data of clients, employees, consultants and, in general, any parties involved with the company.

The Company also updated the “Data Protection Document” relating to the year 2012, which illustrates the companies policy on security (information technology, physical security and organisational), in order to guarantee the confidentiality, the integrity and the availability of data.

# RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS

## Rating

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

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

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

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

The "positive" Creditwatch continued to reflect the proposed merger between the Company and Unipol Assicurazioni, PremafinHP and Milano Assicurazioni and the potential related benefits from the merger and the financial support available to Fondiaria-SAI from the Unipol Group.

On December 31, 2012, the rating agency Standard & Poor's improved the rating of Fondiaria-SAI S.p.A. to "BBB" from "BB" and removed the Creditwatch while assigning a negative Outlook. The upward revision follows the progress made in the integration with the Unipol Group and the definition as "core" entity from the previous "non-strategically important" within the Unipol Group.
The negative Outlook again reflected the potential risks considered by the rating agency to the execution of the integration.

## TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES

Reference should be made to the Corporate Governance report in relation to the conduct principles for the carrying out of significant transactions and procedures concerning transactions with related parties.

In this regard, the Company is subject to direction and co-ordination pursuant to Article 2497 and subsequent of the Civil Code by the indirect parent company U.G.F. and no longer carries out direction and co-ordination of its subsidiaries.
The Company undertook transactions of a financial, insurance and a service nature with the majority of the companies of its Group.
The transactions with the companies of the Group are within the normal activities of the Company and they are subject to, where applicable, the specific governance control by ISVAP. There were no transactions of an atypical nature compared to the normal activities of the business.

The principal inter-group operations, regulated at market prices and in accordance with the criteria of recharging only specific costs incurred, related to reinsurance, the settlement of claims, IT services, administration, the management of real estate and property assets, the concession of loans and in general all of the business support activities which are carried out in a centralised manner.
The inter-group services guarantee the rationalisation of the operational functions and the utilisation of the existing synergies in the Group, realising greater overall economies.

In particular transactions with the Group companies resulted in the recharging of costs of Euro 456 million and the recording of revenues of approx. Euro 401 million. The difference is principally due to the recharging of services by the Fondiaria-SAI Servizi Group Consortium in which all of the common activities relating to the Group departments are concentrated.

In addition, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

For details on the inter-group operations, reference should be made to the attachments of the Notes to the Financial Statements.

For further details regarding transactions with Group companies and other related parties, reference is made to the Notes to the Financial Statements – Part C – Other Information.

## NATIONAL TAX CONSOLIDATION

In 2012, fulfilling the requirements, the Group taxation was carried out under Article 117 of the Pres. Decree No. 917/1986 (so-called national tax consolidation) in which the Company, as consolidating company, settles and pays the IRES income tax on behalf of the 57 subsidiary companies within the tax consolidation.
The change in the consolidation area did not result in the restitution of previous tax advantages obtained.

**Effects of the national tax consolidation on the financial statements at December 31, 2012.**

The group assessable IRES corporation tax estimated for 2012 amounts to Euro 443 million net of the tax losses transferred and immediately offset for approx. Euro 121 million.
Taking into account the offsetting of tax losses from previous years totaling Euro 345 million, the total IRES corporation tax for the year amounts to approx. Euro 24 million.
The effects on the financial statements for the year 2012 related to the transfer, to the Group, of assessable profits and losses as well as receivables from the tax authorities, are commented upon in detail in the respective accounts in the notes to the financial statements, to which reference should be made.

In accordance with that established by CONSOB Resolution No. 17221 of 12/03/2010, the companies which have signed or renewed with the consolidating Fondiaria-SAI agreements for inclusion in the Group tax consolidation and the three-year period application of the consolidating contracts are listed below.

In 2012, the following companies were fully included:

| Company | Period of tax agreement |
|---|---|
| MILANO ASSICURAZIONI S.p.A. | **2010-2012** |
| LIGURIA SOCIETÀ DI ASSICURAZIONI S.p.A. | **2010-2012** |
| LIGURIA VITA S.p.A. | **2010-2012** |
| SIAT S.p.A. | **2010-2012** |
| DIALOGO ASSICURAZIONI S.p.A. | **2010-2012** |
| EUROPA TUTELA GIUDIZIARIA S.p.A. | **2010-2012** |
| SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A. | **2010-2012** |
| INCONTRA ASSICURAZIONI S.p.A. | **2010-2012** |
| PRONTO ASSISTANCE S.p.A. | **2010-2012** |
| BANCA SAI S.p.A. | **2010-2012** |
| SAI INVESTIMENTI S.G.R. S.p.A. | **2010-2012** |
| SAIFIN-SAIFINANZIARIA S.p.A. | **2010-2012** |
| SAI HOLDING ITALIA S.p.A. | **2010-2012** |
| EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l. | **2010-2012** |
| FINITALIA S.p.A. | **2010-2012** |
| SAI MERCATI MOBILIARI SIM S.p.A. | **2010-2012** |
| IMMOBILIARE LOMBARDA S.p.A. | **2010-2012** |
| CASCINE TRENNO S.r.l. | **2010-2012** |
| TRENNO OVEST S.r.l. | **2010-2012** |
| MERIDIANO PRIMO S.r.l. | **2010-2012** |
| MERIDIANO SECONDO S.r.l. | **2010-2012** |
| MERIDIANO BELLARMINO S.r.l. | **2010-2012** |
| MERIDIANO BRUZZANO S.r.l. | **2010-2012** |
| IMMOBILIARE LITORELLA S.r.l. | **2010-2012** |
| BRAMANTE S.r.l. | **2010-2012** |
| PONTORMO S.r.l. | **2010-2012** |
| IN.V.ED S.r.l. | **2010-2012** |
| MASACCIO S.r.l. | **2010-2012** |
| NUOVA IMPRESA EDIFICATRICE MODERNA (NIEM) S.r.l. | **2010-2012** |
| MIZAR S.r.l. | **2010-2012** |
| MARINA DI LOANO S.p.A. | **2010-2012** |
| RISTRUTTURAZIONI EDILI MODERNE (REDILMO) S.r.l. | **2010-2012** |
| CARPACCIO S.r.l. | **2010-2012** |
| NUOVE INIZIATIVE TOSCANE S.r.l. | **2010-2012** |
| VILLA RAGIONIERI S.r.l. | **2010-2012** |
| IMMOBILIARE FONDIARIA-SAI S.r.l. | **2010-2012** |
| IMMOBILIARE MILANO ASSICURAZIONI S.r.l. | **2010-2012** |
| SAIAGRICOLA S.p.A. | **2010-2012** |
| APB CAR SERVICE S.r.l. | **2010-2012** |
| CASA DI CURA VILLA DONATELLO S.p.A. | **2010-2012** |
| CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l. | **2010-2012** |
| FLORENCE CENTRO CHIRURGIA AMBULATORIALE S.r.l. | **2010-2012** |
| DONATELLO DAY SURGERY S.r.l. | **2010-2012** |
| SOGEINT S.r.l. | **2010-2012** |
| GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l. | **2010-2012** |
| SERVICE GRUPPO FONDIARIA-SAI S.r.l. | **2010-2012** |
| ATAHOTELS S.p.A. | **2010-2012** |
| SOCIETÀ EDILIZIA IMMOBILIARE SARDA - SEIS S.p.A. | **2010-2012** |
| ITALRESIDENCE S.r.l. | **2010-2012** |
| STIMMA S.r.l. | **2011-2013** |
| INSEDIAMENTI AVANZATI NEL TERRITORIO S.p.A. | **2011-2013** |
| ATAVALUE S.r.l. | **2011-2013** |
| SINTESI SECONDA S.r.l. | **2011-2013** |
| CAMPO CARLO MAGNO S.p.A. | **2012-2014** |
| MERIDIANO AURORA S.r.l. | **2012-2014** |
| AUTO PRESTO & BENE S.p.A. | **2012-2014** |
| POPOLARE VITA S.p.A. | **2012-2014** |

## DECLARATION OF INSOLVENCY OF IMCO S.P.A. IN LIQUIDATION AND SINERGIA HOLDING DI PARTECIPAZIONI S.P.A. IN LIQUIDATION

The Board of Directors of Fondiaria-SAI at its meeting on June 14, 2012, took note of the bankruptcy order issued by the second civil division against Imco S.p.A. in liquidation (*"Imco"*) as well as Sinergia Holding di Partecipazioni S.p.A. ("*Sinergia*") in liquidation. The transactions of the Fondiaria SAI Group in place at December 31, 2012 remain unchanged compared to those at the bankruptcy declaration date as indicated below:

- Euro 101.7 million owed to Milano Assicurazioni from Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to the initiative in Via Fiorentini in Rome. This receivable, net of the write-down, amounts to Euro 52.9 million;
- Euro 77.4 million owed to Milano Assicurazioni S.p.A. from Imco relating to the initiative in Via De Castillia in Milan. This receivable, net of the write-down, amounts to Euro 25.5 million;
- Euro 23.3 million owed to Immobiliare Fondiaria-SAI S.p.A. from Imco relating to the San Pancrazio Parmense (PR) initiative. This receivable, net of the write-down, amounts to Euro 7.8 million;
- Euro 7.2 million owed to Nuove Iniziative Toscane S.p.A. from Europrogetti S.p.A. on account for design work; The amount was completely written-down;
- Euro 21.4 million relating to receivables of BancaSai from the Imco-Sinergia Group, of which approximately Euro 10.7 million concerns unsecured receivables. These receivables were entirely written-down;
- Approx. Euro 3.5 million, net of reinsurance, relating to financial guarantees policies for obligations undertaken by companies which are part of the Imco-Sinergia Group which have already been accounted for in the cost of claims.
  Regarding the level of exposure relating to financial guarantees policies, a further Euro 5.8 million is reported, net of reinsurance.

Following the bankruptcy judgment, the estimated realisable value of the receivables carried out by an independent expert was calculated based on the assumption of two competitive auctions with a reduction of around 36% in the appraisal value. For Avvenimenti e Sviluppo Alberghiero, a subsidiary of Imco, in the case of liquidation, a discount of 20% on the expert's valuation is assumed.
For the purpose of distributing the amount recovered between the creditors, consideration was given to the grounds for seniority, in addition to the statutory privileges (employees and tax authorities) and procedural costs.
The estimate of the recovery time, varying depending on the creditor profile, is expected to be in line with the procedural period. The receivables were discounted using a tax free risk, equal to the yield on Italian 10-year bonds, as the parameters related to the risk are already explicitly considered in the discount applied to the recoverable value.

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

# LITIGATION

## Actions by shareholders

With regard to the proceedings instituted by shareholders of the subsidiary La Fondiaria Assicurazioni S.p.A. in the carrying out of the obligations of the public purchase offer pursuant to CONSOB regulation of December 2002, there is now only one first level proceeding pending before the Milan Court.

There are however three proceedings initiated by the Company for the reform of such judgments issued by the Court of Milan pending with the Court of Appeals of Milan. In addition, another proceeding is pending with the Court of Appeal of Florence following the counterparty's appeal of the judgment that was issued by the Court of Florence in favour of the Company.

The Milan Court of Appeals – in the eight second level judgments issued on the matter – has fully reformed the first instant sentences accepting the Company's objections and rejecting the request for compensation made by the claimants.

There are two summary judgments currently before the Court of Cassation brought forth by Mr. Gazzoni Frascara and Mr. Orio in appeal of the judgment in our favour that was issued by the Milan Court of Appeals. The Company has counter-appealed. At the current moment, no date for the hearing has been set.

The Court of Cassation passed three judgments in which the decisions of the Milan Court of Appeal were reversed in the judgments concerning Promofinan S.p.A., Mr. Marcegaglia and Mr. Savelli. The Court affirmed the right under which, in the case of a breach of a public purchase offer obligation on all of the shares of a Listed Company on a regulated market by those which, following the share purchases, possess a holding of more than 30% of the share capital, the shareholders to whom the offer should have been made the right to obtain compensation for the damage suffered - to be identified, contrary to that established by the actors and considered firstly by the Milan Court - such right no longer in the contractual gain (that would have been established where the sale of the shares, under the public purchase offer, had been agreed), but rather in the economic value of the loss of the offer. The Court of Cassation added that the shareholders bringing the action must demonstrate that they have incurred damages.

The Court of Cassation therefore resent the cases to the Milan Court of Appeal, of various types, which must be duly examined in light of the principle established by the Court of Cassation, on which it must consider a multitude of exceptions of the Company considered absorbed or not examined in the Appeal judgments, which if accepted, would impede the Court of Appeal, in future re-considerations, from accepting the compensation claim, consequently acquitting the Company.

Mr. Savelli took up the case again before the Milan Court of Appeal.
The Florence Court of Appeal, in the only case before the Florence Court, confirmed the Judgment of the Florence Court, which rejected all of the compensation applications put forward.

The provisions for risks and charges in the financial statements at 31/12/2012 are sufficient against the litigation in course.

## Tax Audits

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

Considering the significance of the offences charged and therefore the doubling of the assessment times as per Article 43, Paragraph 3 of Presidential Decree 60/73, the Tuscany Tax Agency assessed also the tax periods previously established.

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

The amounts requested under the assessment notices amounted to approx. Euro 15.1 million for higher taxes, interest and penalties (applied in the measure of 150%) and concluding, through appeal to the Acquiescence Court, with the payment of over Euro 8.1 million, taking into account the substantial double imposition on the buyer and seller of services.

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

# 2012 CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

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

The Annual Corporate Governance Report is available on the Company website (www.fondiaria-sai.it), in the Corporate Governance section.

Pursuant to the corporate governance system of the Company, we declare that the conduct of the corporate boards and of the committees therein was appropriate to ensure compliance with current regulations and of the recommendations of CONSOB in relation to the appointment of the corporate boards of companies listed on the Stock Exchange.

In accordance with the recommendations of CONSOB, before the issue of the respective reports on the financial statements, the Board of Statutory Auditors and the Independent Audit Firm exchanged reciprocal information on the controls undertaken.

# PRINCIPAL CHARACTERISTICS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN RELATION TO FINANCIAL DISCLOSURE

The Company, in accordance with corporate law and the sector regulations and in line with the indications of the Self-Governance Code, is progressively implementing an Internal Control System focused on continuous monitoring of risks typical to the company and the Group through a targetted and systematic mapping of the principal corporate processes and their related risks and controls.
In order to ensure an improvement in terms of quality, transparency, reliability and accuracy of the corporate disclosure and to make the risk management and internal control systems more effective in terms of financial disclosure, the Board of Directors, in fulfilment of the indications introduced by the Savings Law for the monitoring of the administrative-accounting system, approved a management model, integrated as part of the organisational structure of Milano Assicurazioni, whose details are based on the requirements that the administrative and accounting procedures are part of a wider Internal Control System, whose responsibility lies with the Board of Directors (hereafter: The Management Model).

**Description of the principal characteristics of the risk management and internal control system in place in relation to financial disclosure**

In 2007 the Company began a specific project called "Savings law 262/2005" with the objective to establish a Management Model, in line with the best industry practices, establishing a risk management and internal control system in relation to the financial disclosure process.

This system was drawn up based on the following pillars:

- Company Level Controls;
- IT General Controls;
- Administrative-Accounting Model

The Company Level Controls include the aspects of the wider Internal Control System which here relate to, as identified in the CoSO Framework (Committee of Sponsoring Organizations of the Treadway Commission's report, Internal Control—Integrated Framework), the regulations, provisions and mechanisms of control utilised by the Group, with effects on the quality of financial disclosure. In particular they include the conduct of company managers, the manners of delegating authorisation and responsibility, the policies, the procedures and the programmes at corporate level, as well as the constant monitoring of risks, and the internal and external transmission of financial disclosure.

The IT General Controls, in accordance with the COBIT methodological approach (i.e. Control Objectives for Information and related Technology), establish the evaluation of controls which oversee the design, acquisition, development and management of the IT system and which must act as an effective and efficient control system in that the processes for the production of obligatory and accounting disclosure for public consumption are conditioned by various components of the IT architecture (systems and infrastructure, platforms, applications) which support the operating activities.

With reference to the Administrative-Accounting Model the methodological approach adopted is based on the establishment of intervention parameters taking account of:

- the identification of the significant financial statement accounts based on quantitative factors, identified as a percentage of net equity or the result for the year and qualitative factors, based on the volumes and complexity of the transactions, the manuality of the process, the nature of the account and the existence of related parties;
- the correlation of the administrative-accounting processes related to the significant financial statement accounts, which contribute and generate information of a balance sheet, economic and financial nature.

Specifically, the principal corporate processes, related to the most significant financial statement accounts (such as for example "Goodwill and Other Fixed Assets", "Loans", "Shares and Bonds", "Premium Provisions, Claims, Actuarial Provisions and Other Subordinated Liabilities", "Premiums and commissions", "Claim charges") and considered significant in relation to the financial disclosure process are attributable to the areas of Finance, Administration, Subscription (Non-Life and Life), Provision management (Non-Life and Life), Claim settlement and Reinsurance.

The Company has mapped the administrative-accounting processes, identified through a significance rating based on the preparation of the financial statements, with:

- identification of the role and responsibility within each process with establishment of the person responsible for each activity and identification of the various relationships between those involved in the various process phases;
- identification of the existing risks with potential impact on the financial statements through interviews with the managers of the various organisational units involved in each process;
- evaluation of the gross risk profiles, also in relation to fraud, related to the misrepresentation of the balance sheet, financial position and result in the Financial Statements and in the financial disclosure to the market. These evaluations were carried out using the following parameters:
  - frequency of possible occurrence, based on the number of times that the risk could be verified in a specific time period;
  - severity of the impact, defined based on the qualitative-quantitative elements related to incorrect administrative-accounting data or disclosure.

These parameters were evaluated qualitatively according to a High/Medium/Low priority scheme, which establishes the gross risk profile related to the individual activities:

- identification of the control activity, IT or manual, and evaluation of their efficacy in offsetting the risk of untruthful or incorrect representation of the financial disclosure or of lack of traceability;
- define the actions to mitigate the identified risks, in the case in which the controls in place are not sufficient to offset the risk reported or are not sufficiently documented, with establishment of the priority of mitigation actions based on the overall control evaluation;
- implementation and management of a processes/risks/controls database.

With reference to the maintenance of the documentation, the Management Model attributed:

- to the individual Process Owners the management of the various corporate processes for which they are responsible;
- to the Organisation management, the updating of the documentation relating to the corporate processes;

- to the Risk Management department the identification and evaluation of the risks, of their relative controls and any mitigation actions;
- to the Executive Responsible, through a specific dedicated unit, the updating of the administrative-accounting processes established, providing communication to the various Governance departments.

In order to govern the updating methods of the database of the activities carried out by the individual organisational units, as well as the integrated corporate processes with relative risks, controls and any offsetting actions, the Company has prepared a procedure, identifying the Risks and Controls Manager who supports the individual Process Owners and who reports to the Risk Management manager.

The Risk and Control manager involves the Organisational function to commence the consequent reporting and updating in terms of analysis, recording and design of the procedures and carries out controls over the business procedures, data recording and risk analysis, risk monitoring and management of the mitigating risk actions with the preparation of the periodic report.

The Management Model has identified the duties of the Executive Responsible, appointed in accordance with paragraph 1, of Article 154-*bis* of Legislative Decree No.58/98, establishing the methods for interaction between the Executive Responsible, the Board of Directors, the Control and Risk Committee (previously the Internal Control Committee) and the Executive Corporate Boards, as well as identifying the organisational solutions and attributing to the various structures the relative responsibilities for the operational support processes to the Administrative-Accounting Model.

The Board of Directors maintains general responsibility in relation to the administrative-accounting procedures, within the wider Internal Control System, as already stated, whose adequacy is monitored by the Board, also through the Control and Risks Committee, overseeing the resolution of any critical issues identified by the Chief Executive Officer and the Executive Responsible.

The Control and Risks Committee assists the Board of Directors in relation to administrative-accounting governance as established by the management model approved by the Board and reports, at least bi-annually, on the approval of the annual financial statements and the half year report, to the Board of Directors on the activities carried out and the adequacy of the internal control system.

In order to increase the level of responsibility undertaken by the various personnel in relation to regulations in force, the Management Model has established internal declarations of the individual Process Owners who declare that the administrative-accounting procedures relating to the corporate processes correctly represent the activities and the controls necessary to offset the administrative-accounting risks. The declaration provision methods above are regulated through a relative procedure.

The Management Model has also attributed to the Audit department the duty to verify the existence and conformity with the procedures and the indicated controls, as well as their effective application through the carrying out of testing activities, whose results are reported upon bi-annually to the Executive Responsible, to the Chief Executive Officer and to the Control and Risks Committee.

In relation to the mitigation actions identified, the Board of Directors, with prior consultation of the Control and Risks Committee and on the proposal of the Chief Executive Officer and the Executive Responsible, draws up the budget, the intervention plans and the relative priorities.

The implementation of these actions is attributed to the individual Process Owners which, with the support of the Risk and Control manager, monitor at least half-yearly the relative state of advancement.

The Executive Responsible, receiving information from the individual Process Owners, reports bi-annually to the Control and Risks Committee on the situation in relation to the offsetting actions identified, supported by the dedicated unit.

# SIGNIFICANT EVENTS AFTER THE YEAR-END

## IVASS Authorisation procedure of the Merger

On January 15, 2013, IVASS, in response to the application drawn up jointly by Premafin, Fondiaria-SAI, Unipol Assicurazioni and Milano Assicurazioni on December 28, 2012 concerning authorisation for the merger by incorporation into Fondiaria- SAI of Premafin, Unipol Assicurazioni and, pending further approval, Milano Assicurazioni, communicated the commencement of the relative authorisation procedure from December 28, 2012.

On February 21, 2013, IVASS, in relation to the merger application, requested from the Companies involved documentation and additional information and therefore communicated the suspension of the deadline for the authorisation procedure.

## Filing of the merger proposal into Fondiaria-SAI of Unipol Assicurazioni, Premafin and possibly Milano Assicurazioni

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

The registration of the merger proposal at the Competent Company Registration offices is subjected to the authorisation of IVASS, in accordance with Article 201 of Legislative Decree No. 209 of September 7, 2005.

## Castello Area: full quashing of the judgment and release from seizure of the area

The Florence Court on March 6, 2013 fully acquitted Fondiaria-SAI (as the facts were not proven) of all charges in the investigation concerning the urbanisation of the Castello Area (Florence).
In this regard it is recalled that the Company was cited in an investigation begun in 2008 by the Public Prosecutor's office of Florence in relation to the offense of corruption.
The Company was charged with the illegal acts under Articles 5 and 25 of Legislative Decree 231/2001 in relation to the offences at Articles 319 and 321 of the Criminal Code concerning the corruption of a public official.
The charges stated that Fondiaria-SAI, through its representatives, influenced two public officials in order to commit in their favour "acts contrary to the duties of office."
The two public prosecutors which laid the charges requested that the Company pay a fine equal to 400 times the minimum value of approximately Euro 250 and a maximum value of Euro 1,549. It was also requested that the Company receive a two-year ban from dealing with the public sector and that the Castello Area plots concerning the building permits be confiscated.

The Court sentenced the former Municipal Councillor implicated to one year (suspended sentence) for abuse of office and acquitted the Company of two charges.
The Court also granted the release from seizure and the restitution of the Castello Area. The Company legal representatives will pursue the execution of the release from seizure by the legal police which occurred in November 2008.
The reasons for the Judgment which, obviously, may be heard before the Florence Appeal Court, will be filed within 90 days.

## Ordinary Shareholders' Meeting concerning the Corporate Responsibility Action Proposal in accordance with Articles 2392 and 2393 of the Civil Code

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

In this regard IVASS, previously ISVAP, with decision of the Board of the Bank of Italy and provision No. 32-13-96 of January 29, 2013, heard the request for the extension of office by the *ad acta* Representative Mr. Matteo Caratozzolo, granting a further 45 days, following on from the original conclusion of the appointment scheduled for January 31, 2013 (as defined by ISVAP Provision No. 3001 of September 12 2012), to extend the analysis work and commence compensatory actions and initiatives, also of a legal nature, in relation to the parties involved in the previous management of transactions with related parties which resulted in damage to the Insurance Group.
During the course of these activities, the *ad acta* representative experienced a number of operational difficulties which affected the carrying out of the essential verifications to fulfil the assignment and therefore required additional time to carry out the duties assigned.

## Florence Court of Appeal: compensation applications rejected

On March 18, 2013, the Florence Court of Appeal, in the only case heard before the Florence Court confirmed the Judgment of the Florence Court which rejected all compensation applications put forward.

## Class A Special Savings Shareholders' Meeting

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

The Company repeats that – for the reasons illustrated in detail in the document published on March 21, 2013 and available on the website www.fondiaria-sai.it, in the section “Press Office”, together with opinions from expert advisors – the prejudice claimed by the Class A savings shareholders is without any foundation. Despite this, as already outlined in the afore-mentioned document, the Company reserves the right to verify **(i)** the feasibility, under the technical/legal profile, of the proposal to convert the Class A savings shares into Class B savings shares and **(ii)** the appropriateness from an economic viewpoint of any conversion.

## OUTLOOK

We recall that on November 5, 2012 the new Board of Directors of Fondiaria-SAI took office, based on the slate presented by the majority shareholder Unipol Gruppo Finanziario S.p.A..

Management will focus on consolidating the work performed to date on the integration project, in accordance with that outlined to the market, towards a conclusion of the merger operations between the companies Premafin, Fondiaria-SAI, Milano Assicurazioni and Unipol Assicurazioni, which represent a vital step for the restructuring and simplification of the Group, in order to fully draw on the synergies identified and to create value from productivity efficiencies and financial management optimisation.

The integration project between the Unipol Group and Fondiaria-SAI Group is part of the strategic goal to focus on the Non-Life insurance business. In particular the actions previously taken by the Unipol Group will be considered also for the Fondiaria-SAI Group, concerning the insurance portfolio reform operations, the restructuring actions on the sales network and the sharing of best practice policies in relation to the technical-specialist capacities developed by the two Groups in the differing market sectors and in the various distribution channels.

In relation to the Life business, a strengthening of both the commercial offer and the sales network will be evaluated.

The integration project will take into account the guidelines within the 2013-2015 Industrial Plan, recently presented to the market and will naturally incorporate the commitments undertaken with the Anti-Trust Authority.

The merger will create a leader in the Italian insurance market, first in the Non-Life and Motor TPL sectors with a client base of 14 million and the most extensive agency network in Italy.

The new entity will be among the top ten insurance groups in Europe. This is certainly an ambitious but achievable target, deserving of the coming together of the best qualities of two of the principal Italian insurance traditions.

*Bologna, March 20, 2013*

*For the Board of Directors*
*The Chairman*

Mr. Fabio Cerchiai

# 2012 Financial Statements Balance Sheet and Income Statement

**Attachment 1**

Company **FONDIARIA - SAI**

Share capital underwritten E. 1.194.572.973,80 Paid in E. 1.194.572.973,80

Regstd. office TURIN

Legal office

SEPARATE FINANCIAL STATEMENTS

**Balance Sheet**

Year **2012**

(Amounts in Euro)

BALANCE SHEET

ASSETS

| | | | | Current year | |
|---|---|---|---|---|---|
| A. RECEIVABLES FROM SHAREHOLDERS FOR UNPAID CAPITAL | | | | | 1 0 |
| of which called in | | 2 0 | | | |
| B. INTANGIBLE ASSETS | | | | | |
| 1. Acquisition commissions to be amortised | | | | | |
| a) life division | 3 4,227,000 | | | | |
| b) non-life division | 4 17,263,182 | 5 21,490,182 | | | |
| 2. Other acquisition expenses | | 6 0 | | | |
| 3. Formation, start up and similar costs | | 7 76,155,713 | | | |
| 4. Goodwill | | 8 138,296,230 | | | |
| 5. Other deferred costs | | 9 2,770 | | | 10 235,944,895 |
| C. INVESTMENTS | | | | | |
| I - Land and buildings | | | | | |
| 1. Property used for business activities | | 11 6,624,816 | | | |
| 2. Property used by third parties | | 12 919,493,736 | | | |
| 3. Others buildings | | 13 14,745,692 | | | |
| 4. Other rights | | 14 3,513,472 | | | |
| 5. Assets in progress and payments on account | | 15 2,329,119 | 16 946,706,835 | | |
| II - Investments in group companies and in other holdings | | | | | |
| 1. Shares and holdings in companies | | | | | |
| a) holding companies | 17 2,389,277 | | | | |
| b) subsidiaries | 18 2,663,098,476 | | | | |
| c) group companies | 19 0 | | | | |
| d) associated companies | 20 23,162,745 | | | | |
| e) other | 21 23,315,186 | 22 2,711,965,684 | | | |
| 2. Bonds issued by: | | | | | |
| a) holding companies | 23 0 | | | | |
| b) subsidiaries | 24 32,592,106 | | | | |
| c) group companies | 25 0 | | | | |
| d) associated companies | 26 0 | | | | |
| e) other | 27 26,154,000 | 28 58,746,106 | | | |
| 3. Loans to: | | | | | |
| a) holding companies | 29 0 | | | | |
| b) subsidiaries | 30 4,977,322 | | | | |
| c) group companies | 31 0 | | | | |
| d) associated companies | 32 0 | | | | |
| e) other | 33 149,999 | 34 5,127,321 | 35 2,775,839,111 | | |
| | | to carry forward | | | 235,944,895 |

Previous year

| | | | |
|---|---|---|---|
| | | | 181 0 |
| | 182 0 | | |
| 183 0 | | | |
| 184 0 | 185 0 | | |
| | 186 0 | | |
| | 187 20,580,812 | | |
| | 188 153,662,478 | | |
| | 189 106,753 | | 190 174,350,043 |
| | 191 7,184,058 | | |
| | 192 1,034,194,093 | | |
| | 193 17,359,363 | | |
| | 194 4,964,472 | | |
| | 195 2,808,481 | 196 1,066,510,467 | |
| 197 2,288,835 | | | |
| 198 3,334,746,989 | | | |
| 199 0 | | | |
| 200 34,062,223 | | | |
| 201 76,707,014 | 202 3,447,805,061 | | |
| 203 0 | | | |
| 204 31,358,431 | | | |
| 205 0 | | | |
| 206 0 | | | |
| 207 21,364,200 | 208 52,722,631 | | |
| 209 0 | | | |
| 210 2,551,822 | | | |
| 211 0 | | | |
| 212 0 | | | |
| 213 149,999 | 214 2,701,821 | 215 3,503,229,513 | |
| | to carry forward | | 174,350,043 |

BALANCE SHEET

ASSETS

| | | | | | | Current year | | |
|---|---|---|---|---|---|---|---|---|
| carried forward | | | | | | | | 235,944,895 |
| C. INVESTMENTS (cont.) | | | | | | | | |
| III - Other financial investments | | | | | | | | |
| 1. Shares and holdings | | | | | | | | |
| a) Shares listed | 36 | 447,132,699 | | | | | | |
| b) Shares not listed | 37 | 23,697,104 | | | | | | |
| c) Quotas | 38 | 219,523 | 39 | 471,049,326 | | | | |
| 2. Investment fund units | | | 40 | 522,242,534 | | | | |
| 3. Bonds and other fixed-income securities | | | | | | | | |
| a) listed | 41 | 9,723,583,175 | | | | | | |
| b) not listed | 42 | 69,756,987 | | | | | | |
| c) convertible bonds | 43 | 15,511,011 | 44 | 9,808,851,173 | | | | |
| 4. Loans | | | | | | | | |
| a) secured loans | 45 | 0 | | | | | | |
| b) loans on policies | 46 | 19,491,717 | | | | | | |
| c) other loans | 47 | 4,522,199 | 48 | 24,013,916 | | | | |
| 5. Quotas in mutual investments | | | 49 | 0 | | | | |
| 6. Deposits at credit institutions | | | 50 | 15,193,357 | | | | |
| 7. Other financial investments | | | 51 | 2,876,629 | 52 | 10,844,226,935 | | |
| IV - Deposits with reinsuring companies | | | | | 53 | 46,755,053 | 54 | 14,613,527,934 |
| D. INVESTMENTS FOR THE BENEFIT OF LIFE ASSURANCE POLICY HOLDERS WHO BEAR THE INVESTMENT RISK AND ADMINISTRATION OF PENSION FUNDS | | | | | | | | |
| I - Investments relating to the performance of investments funds and market indices | | | | | 55 | 185,181,594 | | |
| II - Investments derived from pension fund management | | | | | 56 | 240,756,003 | 57 | 425,937,597 |
| D bis. REINSURANCE ASSETS | | | | | | | | |
| I - NON LIFE DIVISION | | | | | | | | |
| 1. Unearned premium provision | | | 58 | 49,034,994 | | | | |
| 2. Outstanding claims provision | | | 59 | 292,630,005 | | | | |
| 3. Profit sharing and and premium refunds provision | | | 60 | 0 | | | | |
| 4. Other technical provisions | | | 61 | 0 | 62 | 341,664,999 | | |
| II - LIFE DIVISION | | | | | | | | |
| 1. Actuarial provisions | | | 63 | 38,445,536 | | | | |
| 2. Provisions for complementary insurances | | | 64 | 0 | | | | |
| 3. Claims outstanding provision | | | 65 | 2,875,949 | | | | |
| 4. Profit sharing and premium refunds | | | 66 | 0 | | | | |
| 5. Other technical provisions | | | 67 | 0 | | | | |
| 6 Technical provisions where the investment risk is borne by the policyholders and provisions relating to the administration of pension funds | | | 68 | 0 | 69 | 41,321,485 | 70 | 382,986,484 |
| to carry forward | | | | | | | | 15,658,396,910 |

Previous year

| | | | |
|---|---|---|---|
| | carried forward | | 174,350,043 |
| 216 615,193,075 | | | |
| 217 18,140,982 | | | |
| 218 1,500,000 | 219 634,834,057 | | |
| | 220 623,856,855 | | |
| 221 8,550,194,948 | | | |
| 222 75,244,920 | | | |
| 223 25,840,856 | 224 8,651,280,724 | | |
| 225 0 | | | |
| 226 22,732,121 | | | |
| 227 3,879,665 | 228 26,611,786 | | |
| | 229 0 | | |
| | 230 441,764 | | |
| | 231 174,187 | 232 9,937,199,373 | |
| | | 233 51,846,295 | 234 14,558,785,648 |
| | | 235 184,368,001 | |
| | | 236 212,199,997 | 237 396,567,998 |
| | 238 50,254,536 | | |
| | 239 210,946,101 | | |
| | 240 0 | | |
| | 241 0 | 242 261,200,637 | |
| | 243 42,948,706 | | |
| | 244 0 | | |
| | 245 4,359,751 | | |
| | 246 0 | | |
| | 247 0 | | |
| | 248 0 | 249 47,308,457 | 250 308,509,094 |
| | to carry forward | | 15,438,212,783 |

BALANCE SHEET

ASSETS

| | | | | | | | Current year | |
|---|---|---|---|---|---|---|---|---|
| carried forward | | | | | | | | 15,658,396,910 |
| E. RECEIVABLES | | | | | | | | |
| I - Receivables, derived from direct insurance operations, composed of: | | | | | | | | |
| 1. Policyholders | | | | | | | | |
| a) premiums for current year | 71 | 346,279,486 | | | | | | |
| b) premiums for previous years | 72 | 3,231,863 | 73 | 349,511,349 | | | | |
| 2. Insurance brokers | | | 74 | 427,424,943 | | | | |
| 3. Insurance companies- current accounts | | | 75 | 92,780,662 | | | | |
| 4. Policyholders and others for sums to be recovered | | | 76 | 66,839,562 | 77 | 936,556,516 | | |
| II - Receivables, derived from direct insurance operations, composed of: | | | | | | | | |
| 1. Insurance and reinsurance companies | | | 78 | 42,406,395 | | | | |
| 2. Reinsurance brokers | | | 79 | 165,086 | 80 | 42,571,481 | | |
| III - Other receivables | | | | | 81 | 784,971,496 | 82 | 1,764,099,493 |
| F. OTHER ASSETS | | | | | | | | |
| I - Fixed assets and inventories: | | | | | | | | |
| 1. Furniture, EDP and internal transport | | | 83 | 5,599,008 | | | | |
| 2. Tangible assets recorded in public registers | | | 84 | 1,232 | | | | |
| 3. Plant and equipment | | | 85 | 350,703 | | | | |
| 4. Stocks and various assets | | | 86 | 4,120,335 | 87 | 10,071,278 | | |
| II - Cash and cash equivalents | | | | | | | | |
| 1. Bank and postal deposits | | | 88 | 254,411,787 | | | | |
| 2. Cheques and cash on hand | | | 89 | 109,565 | 90 | 254,521,352 | | |
| III - Treasury shares | | | | | 91 | 30,394 | | |
| IV - Other assets | | | | | | | | |
| 1. Receivable transitory reinsurance accounts | | | 92 | 2,936,395 | | | | |
| 2. Other assets | | | 93 | 751,517,986 | 94 | 754,454,381 | 95 | 1,019,077,405 |
| G. PREPAYMENTS AND ACCRUED INCOME | | | | | | | | |
| 1. Interest | | | | | 96 | 147,141,575 | | |
| 2. Rental | | | | | 97 | 0 | | |
| 3. Other prepayments and accrued income | | | | | 98 | 6,310,847 | 99 | 153,452,422 |
| **TOTAL ASSETS** | | | | | | | 100 | 18,595,026,230 |

Previous year

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | carried forward | | | | 15,438,212,783 |
| 251 | 406,853,319 | | | | | | |
| 252 | 17,558,841 | 253 | 424,412,160 | | | | |
| | | 254 | 552,113,734 | | | | |
| | | 255 | 124,196,076 | | | | |
| | | 256 | 90,457,184 | 257 | 1,191,179,154 | | |
| | | 258 | 50,598,549 | | | | |
| | | 259 | 161,431 | 260 | 50,759,980 | | |
| | | | | 261 | 695,077,790 | 262 | 1,937,016,924 |
| | | 263 | 7,053,796 | | | | |
| | | 264 | 3,695 | | | | |
| | | 265 | 420,250 | | | | |
| | | 266 | 4,120,335 | 267 | 11,598,076 | | |
| | | 268 | 458,964,449 | | | | |
| | | 269 | 265,062 | 270 | 459,229,511 | | |
| | | | | 271 | 1,982,080 | | |
| | | 272 | 3,846,818 | | | | |
| | | 273 | 855,261,248 | 274 | 859,108,066 | 275 | 1,331,917,733 |
| | | | | 276 | 137,221,030 | | |
| | | | | 277 | 0 | | |
| | | | | 278 | 5,216,581 | 279 | 142,437,611 |
| | | | | | | 280 | 18,849,585,051 |

BALANCE SHEET

LIABILITIES AND NET EQUITY

| | | | Current year | | | |
|---|---|---|---|---|---|---|
| A. SHAREHOLDERS' EQUITY | | | | | | |
| I - Share capital subscribed or equivalent fund | | | 101 | 1,194,572,974 | | |
| II - Share premium reserve | | | 102 | 730,079,281 | | |
| III - Revaluation reserve | | | 103 | 0 | | |
| IV - Legal reserve | | | 104 | 35,536,164 | | |
| V - Statutory reserves | | | 105 | 0 | | |
| VI - Reserves for treasury shares and of holding companies | | | 106 | 2,419,671 | | |
| VII - Other reserves | | | 107 | 387,448,708 | | |
| VIII - Retained earnings/(accumulated losses) | | | 108 | 0 | | |
| IX Loss for the year | | | 109 | -722,724,118 | 110 | 1,627,332,680 |
| B. SUB-ORDINATED LIABILITIES | | | | | 111 | 900,000,000 |
| C. INSURANCE CONTRACT LIABILITIES | | | | | | |
| I - NON-LIFE DIVISION | | | | | | |
| 1. Unearned premium provision | 112 | 1,303,118,543 | | | | |
| 2. Outstanding claims provision | 113 | 5,310,794,344 | | | | |
| 3. Profit sharing and premium refunds provision | 114 | 0 | | | | |
| 4. Other technical provisions | 115 | 5,437,011 | | | | |
| 5. Equalisation provision | 116 | 27,863,996 | 117 | 6,647,213,894 | | |
| II - LIFE DIVISION | | | | | | |
| 1. Actuarial provisions | 118 | 7,437,500,849 | | | | |
| 2. Provisions for complementary insurances | 119 | 266,913 | | | | |
| 3. Claims outstanding provision | 120 | 74,951,526 | | | | |
| 4. Profit sharing and premium refunds provisions | 121 | 2,275,945 | | | | |
| 5. Other technical provisions | 122 | 43,656,910 | 123 | 7,558,652,143 | 124 | 14,205,866,037 |
| D. TECHNICAL PROVISIONS WHERE THE INVESTMENT RISK IS BORNE WHO BEAR THE INVESTMENT RISK AND ADMINISTRATION OF PENSION FUNDS | | | | | | |
| I - Provisions relating to the performance of investments funds and market indices funds and market indices | | | 125 | 185,100,326 | | |
| II - Provisions derived from pension fund management | | | 126 | 240,756,003 | 127 | 425,856,329 |
| to carry forward | | | | | | 17,159,055,046 |

Previous year

| | | | | | |
|---|---|---|---|---|---|
| | | 281 | 494,731,136 | | |
| | | 282 | 331,229,761 | | |
| | | 283 | 200,024,934 | | |
| | | 284 | 35,536,164 | | |
| | | 285 | 0 | | |
| | | 286 | 4,270,915 | | |
| | | 287 | 1,205,928,249 | | |
| | | 288 | 0 | | |
| | | 289 | -1,020,368,450 | 290 | 1,251,352,709 |
| | | | | 291 | 900,000,000 |
| 292 | 1,510,920,403 | | | | |
| 293 | 5,220,936,760 | | | | |
| 294 | 0 | | | | |
| 295 | 6,333,440 | | | | |
| 296 | 25,101,756 | 297 | 6,763,292,359 | | |
| 298 | 7,843,892,822 | | | | |
| 299 | 240,354 | | | | |
| 300 | 85,524,613 | | | | |
| 301 | 1,901,882 | | | | |
| 302 | 47,061,449 | 303 | 7,978,621,120 | 304 | 14,741,913,479 |
| | | 305 | 184,267,065 | | |
| | | 306 | 212,199,997 | 307 | 396,467,062 |
| | to carry forward | | | | 17,289,733,250 |

BALANCE SHEET

LIABILITIES AND NET EQUITY

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Current year | | | | |
| carried forward | | | | | | | 17,159,055,046 |
| E. PROVISIONS FOR RISKS AND CHARGES | | | | | | | |
| 1. Provisions for pension and similar | | | 128 | 9,913,354 | | | |
| 2. Tax provisions | | | 129 | 100,171,293 | | | |
| 3. Other provisions | | | 130 | 204,654,121 | 131 | | 314,738,768 |
| F. DEPOSITS RECEIVED FROM REINSURERS | | | | | 132 | | 86,066,692 |
| G. PAYABLES AND OTHER LIABILITIES | | | | | | | |
| I - Payables, derived from direct insurance operations, composed of: | | | | | | | |
| 1. Insurance brokers | 133 | 15,273,330 | | | | | |
| 2. Insurance companies- current accounts | 134 | 3,449,981 | | | | | |
| 3. Policyholders for cautionary monies and premiums | 135 | 7,976,517 | | | | | |
| 4. Policyholder guarantee provisions | 136 | 149,719 | 137 | 26,849,547 | | | |
| II - Payables, derived from direct insurance operations, composed of: | | | | | | | |
| 1. Insurance and reinsurance companies | 138 | 37,584,263 | | | | | |
| 2. Reinsurance brokers | 139 | 818,974 | 140 | 38,403,237 | | | |
| III - Bonds | | | 141 | 0 | | | |
| IV - Payables to banks and financial institutions | | | 142 | 0 | | | |
| V - Secured debts | | | 143 | 0 | | | |
| VI - Loans and other financial payables | | | 144 | 245,581,345 | | | |
| VII - Post-employment benefit provisions | | | 145 | 32,397,583 | | | |
| VIII - Other payables | | | | | | | |
| 1. Policyholders' tax due | 146 | 65,564,644 | | | | | |
| 2. Other taxes due | 147 | 79,891,741 | | | | | |
| 3. Social security and welfare institutions | 148 | 7,093,387 | | | | | |
| 4. Other payables | 149 | 339,085,192 | 150 | 491,634,964 | | | |
| IX - Other liabilities | | | | | | | |
| 1. Payable transitory reinsurance accounts | 151 | 2,704,431 | | | | | |
| 2. Commissions on premium collection | 152 | 55,913,359 | | | | | |
| 3. Other liabilities | 153 | 116,067,553 | 154 | 174,685,343 | 155 | | 1,009,552,019 |
| to carry forward | | | | | | | 18,569,412,525 |

Previous year

| | | |
|---|---|---|
| carried forward | | 17,289,733,250 |
| | 308 3,364,667 | |
| | 309 52,905,248 | |
| | 310 247,310,198 | 311 303,580,113 |
| | | 312 93,924,939 |
| 313 13,066,895 | | |
| 314 9,771,055 | | |
| 315 73,826 | | |
| 316 3,429,280 | 317 26,341,056 | |
| 318 34,678,982 | | |
| 319 818,974 | 320 35,497,956 | |
| | 321 0 | |
| | 322 0 | |
| | 323 0 | |
| | 324 245,192,941 | |
| | 325 35,004,078 | |
| 326 72,714,276 | | |
| 327 84,161,756 | | |
| 328 10,333,580 | | |
| 329 403,135,778 | 330 570,345,390 | |
| 331 3,537,125 | | |
| 332 57,649,870 | | |
| 333 161,024,198 | 334 222,211,193 | 335 1,134,592,614 |
| to carry forward | | 18,821,830,916 |

BALANCE SHEET

LIABILITIES AND NET EQUITY

| | | Current year | | |
|---|---|---|---|---|
| carried forward | | | | 18,569,412,525 |
| H. ACCRUALS AND DEFERRED INCOME | | | | |
| 1. Interest | 156 | 25,590,554 | | |
| 2. Rental | 157 | 10,099 | | |
| 3. Other accruals and deferred income | 158 | 13,052 | 159 | 25,613,705 |
| **TOTAL LIAIBILITIES & SHAREHOLDERS' EQUITY** | | | 160 | 18,595,026,230 |

BALANCE SHEET

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

| | | | Current year |
|---|---|---|---|
| GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS | | | |
| I - Guarantees given | | | |
| 1. Sureties | | 161 | 0 |
| 2. Endorsements | | 162 | 0 |
| 3. Other non-secured guarantees | | 163 | 0 |
| 4. Collateral | | 164 | 18,226,406 |
| II - Guarantees received | | | |
| 1. Sureties | | 165 | 191,395,780 |
| 2. Endorsements | | 166 | 0 |
| 3. Other non-secured guarantees | | 167 | 2,284,392 |
| 4. Collateral | | 168 | 2,900,000 |
| III - Guarantees given by third parties on behalf of the company | | 169 | 49,053,064 |
| IV - Commitments | | 170 | 21,235,882 |
| V - Third party assets | | 171 | 9,351,053 |
| VI - Pension fund assets managed on behalf of third parties | | 172 | 0 |
| VII - Securities deposited with third parties | | 173 | 12,916,366,796 |
| VIII - Other memorandum accounts | | 174 | 930,716,172 |

Previous year

| | | |
|---|---|---|
| carried forward | | 18,821,830,916 |
| | 336 27,210,696 | |
| | 337 530,387 | |
| | 338 13,052 | 339 27,754,135 |
| | | 340 18,849,585,051 |

Previous year

| | | |
|---|---|---|
| | | 341 0 |
| | | 342 0 |
| | | 343 0 |
| | | 344 4,254,446 |
| | | 345 216,608,637 |
| | | 346 0 |
| | | 347 2,553,363 |
| | | 348 2,900,000 |
| | | 349 48,495,068 |
| | | 350 58,419,268 |
| | | 351 9,100,909 |
| | | 352 0 |
| | | 353 12,950,268,164 |
| | | 354 927,578,062 |

INCOME STATEMENT

| | | | | | | Current year |
|---|---|---|---|---|---|---|
| **I. TECHNICAL ACCOUNT OF THE NON-LIFE DIVISION** | | | | | | |
| 1. EARNED PREMIUMS NET OF REINSURANCE | | | | | | |
| a) Gross premiums written | | | 1 | 3,473,881,107 | | |
| b) (-) Premiums ceded | | | 2 | 156,869,176 | | |
| c) Change in the gross amount of the unearned premium provisions | | | 3 | -207,784,069 | | |
| d) Change in reinsurers provisions for unearned premiums | | | 4 | 2,107,618 | 5 | 3,526,903,618 |
| 2. (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM NON TECHNICAL ACCOUNT (ACCOUNT | | | | | 6 | |
| 3. OTHER TECHNICAL INCOME, NET OF REINSURANCE | | | | | 7 | 36,520,001 |
| 4. CLAIMS INCURRED NET OF RECOVERIES AND REINSURANCE | | | | | | |
| a) Claims paid | | | | | | |
| aa) Gross amount | 8 | 2,802,503,312 | | | | |
| bb) (-) reinsurers' share | 9 | 62,255,462 | 10 | 2,740,247,850 | | |
| b) Change in recoveries net of reinsurers' share | | | | | | |
| aa) Gross amount | 11 | 88,658,365 | | | | |
| bb) (-) reinsurers' share | 12 | | 13 | 88,658,365 | | |
| c) Change in claims provisions | | | | | | |
| aa) Gross amount | 14 | 87,093,993 | | | | |
| bb) (-) reinsurers' share | 15 | 82,189,252 | 16 | 4,904,741 | 17 | 2,656,494,226 |
| 5. CHANGE IN OTHER TECHNICAL PROVISIONS NET OF REINSURANCE | | | | | 18 | -896,429 |
| 6. PROFIT-SHARING AND REVERSALS NET OF REINSURANCE | | | | | 19 | |
| 7. MANAGEMENT EXPENSES: | | | | | | |
| a) Acquisition commissions | | | 20 | 469,760,367 | | |
| b) Other acquisition costs | | | 21 | 102,666,139 | | |
| c) Change in commissions and other costs of acquisition to be amortised | | | 22 | 17,263,182 | | |
| d) Collection commissions | | | 23 | 82,705,108 | | |
| e) Other administrative expenses | | | 24 | 149,584,875 | | |
| f) (-) Reinsurers commissions and profit participation | | | 25 | 38,322,112 | 26 | 749,131,195 |
| 8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE | | | | | 27 | 161,221,731 |
| 9. CHANGE IN EQUALISATION PROVISIONS | | | | | 28 | 2,762,241 |
| 10. TECHNICAL ACCOUNT RESULT - NON-LIFE DIVIDSION (Account III. 1) | | | | | 29 | -5,289,345 |

| | | | | Previous year | |
|---|---|---|---|---|---|
| | | 111 | 3,795,961,322 | | |
| | | 112 | 131,234,594 | | |
| | | 113 | -4,124,513 | | |
| | | 114 | 1,144,667 | 115 | 3,669,995,908 |
| | | | | 116 | |
| | | | | 117 | 25,039,921 |
| 118 | 2,888,624,049 | | | | |
| 119 | 49,947,760 | 120 | 2,838,676,289 | | |
| 121 | 123,396,220 | | | | |
| 122 | | 123 | 123,396,220 | | |
| 124 | 486,476,062 | | | | |
| 125 | 6,249,570 | 126 | 480,226,492 | 127 | 3,195,506,561 |
| | | | | 128 | -1,286,659 |
| | | | | 129 | |
| | | 130 | 575,095,670 | | |
| | | 131 | 99,259,164 | | |
| | | 132 | | | |
| | | 133 | 12,535,049 | | |
| | | 134 | 157,250,024 | | |
| | | 135 | 32,342,970 | 136 | 811,796,937 |
| | | | | 137 | 114,148,948 |
| | | | | 138 | 2,898,111 |
| | | | | 139 | -428,028,069 |

INCOME STATEMENT

| | | | | | Current year | |
|---|---|---|---|---|---|---|
| **II. TECHNICAL ACCOUNT - LIFE DIVISION** | | | | | | |
| 1. EARNED PREMIUMS NET OF REINSURANCE | | | | | | |
| a) Gross premiums written | | | 30 | 829,849,835 | | |
| b) (-) premiums ceded | | | 31 | 10,630,947 | 32 | 819,218,888 |
| 2. INVESTMENT INCOME: | | | | | | |
| a) Income from shares and quotas | | | 33 | 18,888,240 | | |
| ( of which: group companies and other holdings | | | 34 | 12,682,019 ) | | |
| b) Income from other investments: | | | | | | |
| aa) land and buildings | 35 | 562,742 | | | | |
| bb) other investments | 36 | 344,305,746 | 37 | 344,868,488 | | |
| (of which: from group companies | | | 38 | 1,379,766 ) | | |
| c) Write-back on investments | | | 39 | 105,632,062 | | |
| d) Gains on investment disposals | | | 40 | 50,534,467 | | |
| ( of which: group companies and other holdings | | | 41 | ) | 42 | 519,923,257 |
| 3. INCOME AND UNREALISED CAPITAL GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND PENSION FUND MANAGEMENT | | | | | 43 | 49,026,977 |
| 4. OTHER TECHNICAL INCOME, NET OF REINSURANCE | | | | | 44 | 3,020,228 |
| 5. CLAIMS INCURRED NET OF REINSURANCE: | | | | | | |
| a) Claims paid | | | | | | |
| aa) Gross amount | 45 | 1,429,119,040 | | | | |
| bb) (-) Reinsurers share | 46 | 10,460,328 | 47 | 1,418,658,712 | | |
| b) Change in provision for sums to be paid | | | | | | |
| aa) Gross amount | 48 | - 10,569,615 | | | | |
| bb) (-) Reinsurers share | 49 | -1,505,941 | 50 | -9,063,674 | 51 | 1,409,595,038 |
| 6. CHANGE IN ACTUARIAL PROVISIONS AND OTHER TECHNICAL PROVISIONS NET OF REINSURANCE | | | | | | |
| a) Actuarial provisions: | | | | | | |
| aa) Gross amount | 52 | -406,205,193 | | | | |
| bb) (-) Reinsurers share | 53 | -4,308,288 | 54 | -401,896,905 | | |
| b) Unearned premiums provision | | | | | | |
| aa) Gross amount | 55 | 26,559 | | | | |
| bb) (-) Reinsurers share | 56 | | 57 | 26,559 | | |
| c) Other technical provisions | | | | | | |
| aa) Gross amount | 58 | -3,030,476 | | | | |
| bb) (-) Reinsurers share | 59 | | 60 | -3,030,476 | | |
| d) Technical provisions where the investment risk is borne by policyholders and those relating to administration of pensions | | | | | | |
| aa) Gross amount | 61 | 29,762,946 | | | | |
| bb) (-) Reinsurers share | 62 | | 63 | 29,762,946 | 64 | -375,137,876 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | 140 | 1,046,052,843 | | |
| | | | 141 | 18,932,791 | 142 | 1,027,120,052 |
| | | | 143 | 11,681,807 | | |
| which: group companies and other holdings | | | 144 | 898,169 ) | | |
| | 145 | 2,236,441 | | | | |
| | 146 | 340,388,992 | 147 | 342,625,433 | | |
| (of which: from group companies | | | 148 | 2,296,538 ) | | |
| | | | 149 | 3,128,229 | | |
| | | | 150 | 71,489,378 | | |
| which: group companies and other holdings | | | 151 | ) | 152 | 428,924,847 |
| | | | | | 153 | 29,242,797 |
| | | | | | 154 | 2,664,024 |
| | 155 | 1,292,996,810 | | | | |
| | 156 | 12,286,875 | 157 | 1,280,709,935 | | |
| | 158 | -8,212,188 | | | | |
| | 159 | 1,297,592 | 160 | -9,509,780 | 161 | 1,271,200,155 |
| | 162 | -39,918,872 | | | | |
| | 163 | 2,422,181 | 164 | -42,341,053 | | |
| | 165 | -471,648 | | | | |
| | 166 | | 167 | -471,648 | | |
| | 168 | -4,130,304 | | | | |
| | 169 | | 170 | -4,130,304 | | |
| | 171 | -38,412,969 | | | | |
| | 172 | | 173 | -38,412,969 | 174 | -85,355,974 |

INCOME STATEMENT

| | | | | | Current year | |
|---|---|---|---|---|---|---|
| 7. PROFIT-SHARING AND REVERSALS NET OF REINSURANCE | | | | | 65 | |
| 8. MANAGEMENT EXPENSES: | | | | | | |
| a) Acquisition commissions | | | 66 | 14,549,957 | | |
| b) Other acquisition costs | | | 67 | 16,305,891 | | |
| c) Change in commissions and other costs of acquisition to be amortised | | | 68 | 4,227,000 | | |
| d) Collection commissions | | | 69 | 3,690,251 | | |
| e) Other administrative expenses | | | 70 | 36,296,518 | | |
| f) (-) Reinsurers commissions and profit participation | | | 71 | 3,755,287 | 72 | 62,860,330 |
| 9. ASSET AND FINANCIAL CHARGES: | | | | | | |
| a) Investment management charges and interest expenses | | | 73 | 18,386,312 | | |
| b) Value adjustments on investments | | | 74 | 232,221,939 | | |
| c) Losses on investment disposals | | | 75 | 11,042,587 | 76 | 261,650,838 |
| 10. ASSET AND FINANCIAL CHARGES AND UNREALISED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR INVESTMENT RISK, AND MANAGEMENT OF PENSION FUNDS | | | | | 77 | 11,894,092 |
| 11. OTHER TECHNICAL CHARGES, NET OF REINSURANCE | | | | | 78 | 19,403,031 |
| 12. (-) PORTION OF INVESTMENT INCOME TRANSFERRED FROM NON TECHNICAL ACCOUNT (ACCOUNT I | | | | | 79 | |
| 13. TECHNICAL ACCOUNT RESULT - LIFE DIVISION (Account III. 2) | | | | | 80 | 923,897 |
| **III. NON TECHNICAL ACCOUNT** | | | | | | |
| 1. TECHNICAL ACCOUNT RESULT – NON-LIFE DIVISION (account I.10) | | | | | 81 | -5,289,345 |
| 2. TECHNICAL ACCOUNT RESULT - LIFE DIVISION (account II. 13) | | | | | 82 | 923,897 |
| 3. INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION | | | | | | |
| a) Income from shares and quotas | | | 83 | 44,108,102 | | |
| ( of which: group companies and other holdings | | | 84 | 34,339,569 ) | | |
| b) Income from other investments: | | | | | | |
| aa) land and buildings | 85 | 46,078,288 | | | | |
| bb) other investments | 86 | 74,838,992 | 87 | 120,917,280 | | |
| (of which: from group companies | | | 88 | 12,562,886 ) | | |
| c) Write-back on investments | | | 89 | 14,801,625 | | |
| d) Gains on investment disposals | | | 90 | 47,704,165 | | |
| ( of which: group companies and other holdings | | | 91 | ) | 92 | 227,531,172 |

| | | | | | | Previous year |
|---|---|---|---|---|---|---|
| | | | | | 175 | |
| | | | 176 | 15,558,200 | | |
| | | | 177 | 14,274,775 | | |
| | | | 178 | | | |
| | | | 179 | 4,068,143 | | |
| | | | 180 | 31,239,404 | | |
| | | | 181 | 3,766,946 | 182 | 61,373,576 |
| | | | 183 | 18,890,328 | | |
| | | | 184 | 435,525,058 | | |
| | | | 185 | 16,009,428 | 186 | 470,424,814 |
| | | | | | 187 | 38,543,252 |
| | | | | | 188 | 14,920,744 |
| | | | | | 189 | |
| | | | | | 190 | -283,154,847 |
| | | | | | 191 | -428,028,069 |
| | | | | | 192 | -283,154,847 |
| | | | 193 | 11,004,634 | | |
| which: group companies and other holdings | | | 194 | 969,787 ) | | |
| | 195 | 47,707,585 | | | | |
| | 196 | 58,493,790 | 197 | 106,201,375 | | |
| (of which: from group companies | | | 198 | 13,309,752 ) | | |
| | | | 199 | 2,626,827 | | |
| | | | 200 | 32,744,827 | | |
| which: group companies and other holdings | | | 201 | ) | 202 | 152,577,663 |

INCOME STATEMENT

| | | | Current year |
|---|---|---|---|
| 4. (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS (account II. 12) | | | 93 |
| 5. ASSET AND FINANCE CHARGES FOR NON-LIFE DIVISION: | | | |
| a) Investment management charges and interest expenses | 94 | 54,005,339 | |
| b) Value adjustments on investments | 95 | 753,007,221 | |
| c) Losses on investment disposals | 96 | 47,793,681 | 97 854,806,241 |
| 6. (+) QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (accoun | | | 98 |
| 7. OTHER INCOME | | | 99 311,547,000 |
| 8. OTHER CHARGES | | | 100 407,549,305 |
| 9 RESULT FROM ORDINARY ACTIVITY | | | 101 -727,642,822 |
| 10. EXTRAORDINARY INCOME | | | 102 69,402,282 |
| 11. EXTRAORDINARY CHARGES | | | 103 55,924,398 |
| 12. RESULT FROM EXTRAORDINARY ACTIVITY | | | 104 13,477,884 |
| 13. LOSS BEFORE TAXES | | | 105 -714,164,938 |
| 14. INCOME TAXES FOR THE YEAR | | | 106 8,559,180 |
| 15. LOSS FOR THE YEAR | | | 107 -722,724,118 |

Previous year

| | | | |
|---|---|---|---|
| | | 203 | |
| 204 | 44,893,906 | | |
| 205 | 634,137,290 | | |
| 206 | 29,691,857 | 207 | 708,723,053 |
| | | 208 | |
| | | 209 | 296,861,014 |
| | | 210 | 406,859,725 |
| | | 211 | -1,377,327,017 |
| | | 212 | 61,921,418 |
| | | 213 | 46,716,541 |
| | | 214 | 15,204,877 |
| | | 215 | -1,362,122,140 |
| | | 216 | -341,753,690 |
| | | 217 | -1,020,368,450 |

# Explanatory Notes

The financial statements as at December 31, 2012:

- are prepared in accordance with the general provisions for insurance company financial statements as modified and supplemented by Leg. Decree No. 209/2005;
- utilise the obligatory format pursuant to ISVAP Reg. No. 22 of 04/04/08;
- in accordance with Article 2434 of the Civil Code consist of the Balance Sheet, Income Statement and present notes thereto; they also include the Directors' Report on Operations in its entirety, reported in the previous pages.

The Balance Sheet and the Income Statement are prepared in accordance with the formats contained in attachment 1 of the cited ISVAP Regulation.

The notes to the financial statements are divided into the following parts:
Part A Accounting principles
Part B Information on the Balance Sheet and Income Statement and relative attachments
Part C Other information

In addition to the mandatory statements established by ISVAP Regulation No. 19/2008, No. 36/2011 and No. 22/2008, the following attachments are also attached to the annual accounts:

- List of direct and indirect investments above 10% of non-listed companies;
- Statement of change in shareholders' equity;
- Statement pursuant to Article 10 of Law No. 72 of 19/3/83;
- Buildings owned.

The financial statements were audited by the audit firm Reconta Ernst & Young S.p.A. pursuant to Articles 14 and 16 of Legislative Decree No. 39/2010 and Article 102 of Legislative Decree 209/2005 approved by the shareholders meeting of 23/04/2010, which appointed the independent audit firm for the period 2010-2018.

# Part A
# Accounting principles of the accounts in the financial statements

# SECTION 1 - SUMMARY OF ACCOUNTING POLICIES

The financial statements were prepared on the going concern principle.

Although the year 2012 reports a significant loss, the recapitalisation during the year ensures an individual solvency margin and an adjusted group solvency margin at above 100.

Therefore we consider there are no uncertainties or events or conditions which could give rise to doubts on the capacity to continue to operate as a functioning entity, also in consideration of the integration process with the Unipol Group.
The accounting principles adopted are in accordance with current law and for their interpretation the accounting principles issued by the Italian Accounting Organisation (Organismo Italiano di Contabilità). The accounting principles have not changed from the previous year, except where specifically indicated in the comments to the individual accounts.

We report however that the changes in the accounting principles compared to 2011 (which relate to the amortisation of long term commissions and depreciation on property) had a negligible impact on the income statement of the year (approx. Euro 2 million higher revenues before tax).

## Intangible assets

The acquisition commissions on Non-Life long-term contracts are capitalised and amortised on a straight-line basis over three years. For the Life Classes the commissions are amortised, up to their respective loading, based on the duration of the contract, for a period no longer than ten years.
All other charges incurred for the acquisition of long-term contracts and for their management are recorded in the income statement in the year incurred.

Until the end of the previous year, the commissions on the long-term contracts concerning both life and non-life sectors were entirely expensed in the income statement in the year in which they were issued.

The set up and formation costs and other deferred costs, fully considered as long-term use, are recorded at purchase cost and are amortised in accordance with the residual utilisation and, in any case, for a maximum period of five years.

The purchased goodwill is recorded under assets and amortised systematically over a limited period, considered appropriate in relation to the utilisation, taking into account the prospective earnings of the company and, in any case, for a maximum period of twenty years.

## Land and Buildings

The property, plant and equipment are recorded in the accounts at acquisition or construction costs increased by any incidental charges, improvement expenses, in addition to any revaluation made, also on the allocation of the merger difference, and are recorded net of the accumulated depreciation provision and any write-downs for permanent losses in value.
From the present year the depreciation is applied on all buildings, whether directly used or leased to third parties, at a rate of 3%.
For the buildings wholly-owned the depreciation rate is calculated on the value of the building less the value attributed to the land on which the building is located.
Until the year 2012 all the buildings utilised by third parties under lease contracts were not depreciated on the basis of the recoverable value at the end of the useful life.

## Non-current financial investments

The investments in Italian and foreign bonds classified as "non-current" are valued, pursuant to article 16, paragraph 3 of Legislative Decree No. 173/1997, at the lower value between purchase cost, adjusted for any write-downs in previous years, and the permanent value at the reporting date. The equity and debt securities, where relating to the current portfolio, are recorded at the value resulting from the application, at the moment of transfer, of the valuation criteria of the sector they are transferred from.
The purchase cost is taken from the cost determined using the weighted average method, adjusted following the inclusion of the issue and trading spread and any adjustments to value, revaluations of original costs and allocations of merger differences.

For the securities issued and acquired without coupon, the original purchase cost is increased pro-rata, by the difference between the purchase cost and the nominal value collectible on maturity.

For the values permanently lower at the reporting date, it is assumed:

- in the case of financial instruments with issuers in default or where there is a significant counterparty risk, those resulting from the quotation on the last day of the year;
- in the case of listed debt financial instruments the purchase price, having verified the capacity and the intention to hold them in the long-term period as stable investments and with the exception of that stated in the previous paragraph;
- in the case non-listed debt financial instruments, that normally taken with reference to the share price with similar characteristics or based on other objective elements;
- in the case of listed investments, that resulting from the analysis for the purposes of the determination of the recoverable value, based also on the utilisation of commonly-used valuation techniques;
- in the case of non-listed investments, including subsidiaries and associated companies, that determined taking into account pro-rata equity decreases resulting from the most recent accounts.

The reduction in value is restated in subsequent years, if the reasons for the adjustments no longer exist.

## Current financial investments

The investments in Italian and foreign bonds classified as “current” are valued, pursuant to Article 16, paragraph 3 of Legislative Decree No. 173/1997, at purchase cost, adjusted for any write-down in previous years, or the realisable value based on market prices, if lower. The purchase cost is taken from the cost determined with the weighted average method, adjusted for any previous adjustments to value or revaluations of original cost. The original purchase cost is also adjusted, pro-rata, by the issue margins, as well as the differences between purchase cost and nominal value collected on maturity for the securities at implied interest. The reductions in value are not maintained in subsequent years if the reasons for the write-downs no longer exist.

For realisable value, it is assumed:

- in the case of listed investments, the price quoted on the last day of the year;
- in relation to mutual investment funds deriving from the most recent NAV published by the fund management company;
- in the case of non-listed investments, that determined taking into account pro-rata the equity decreases resulting from the most recent accounts;
- in the case of listed debt financial instruments, government bonds and senior corporate bonds, including structured, the quotation prices on the last day of the year. This criterion was not applied to corporate bonds at risk of default which utilised, where unavailable, the price at the end of the year, the reasonable estimate of the recoverable value;
- in the case non-listed debt financial instruments, that normally taken with reference to the share price with similar characteristics or based on other objective elements.

## Investments where the risk is borne by Life policyholders and investments relating to pension fund management

These investments, relating to index-linked, unit-linked and open pension fund products are recorded at fair value.

## Time deposits

The value of securities acquired “spot”, with repurchase obligation by the seller, are recorded under other financial investments and those of securities sold “spot” under Payables and Other Liabilities.
The interest and the differences between the “spot” and “forward” values are recorded respectively under “Income from other investments” and “Investment management charges and interest expense". For the operations at the end of the year, the income is recognised using the pro-rata method.

## Derivative financial instruments

The valuation criteria are differentiated based on the “hedging” or “efficient management” purpose for which the financial operations are undertaken.
The hedging operations, with the purpose of fixing the value of the investments and of other financial instruments from unfavourable changes in interest rates, exchange rates or from market values are measured in accordance with the coherent valuation principle. In particular this results in the recording in the income statement of gains and losses from valuations in line with the correlated gains or losses on the hedged financial instrument.

In the efficient management operations, the derivative contract is valued at market value, recording in the income statement only the valuation loss.

The premiums collected and paid for options on securities and currencies are recorded respectively under Payables and Other Payables and under Investments.

On the maturity of the option, where not exercised, the premium is recorded under Investment Income or Asset and Financial Charges. Vice versa the premiums exercised, in the case of purchase or sale of the underlying assets, adjust the carrying value or the sales price, while they are allocated to Investment Income or Asset and Financial Charges in the case of the financial settlement of the commitment.
The options in force at year-end are valued taking into account the assets in the underlying securities or currency with reference to the recoverable value, in the case of non-current assets, or the respective prices in the case of current assets. In this latter case, where there are no prices, a prudent valuation of their realisable value is made.

## TANGIBLE ASSETS

All the assets are stated in the accounts at purchase cost and depreciated based on their residual utilisation; the depreciation rates correspond however to the maximum rates fixed by tax regulations which are considered to reflect the effective depletion of the assets.

## Receivables

Receivable are recorded at their estimated realisable value. The receivables from policyholders for premiums are recorded based on the expected realisable value, less any write-downs made on an analytical basis and taking into account the evolution of the receivables relating to each of the classes exercised.

## Subordinated liabilities

The loans issued as part of this account are stated at their nominal value.

## Insurance contract liabilities on direct business

The general regulations on the insurance contract liabilities, described in Articles 36 and 37 of Legislative Decree 209/05, establish the principle for which the amount of the insurance contract liability must always be sufficient for the company to meet, with reasonable foresight, its commitments on insurance contracts, as well as guarantee the obligations assumed and future expenses.

Therefore the following accounting principles apply:

## Non-Life Unearned Premium Provision

Article 37 of Legislative Decree 209/05 requires the obligation to record the unearned premium liabilities under two components, "provision for fraction of premium" and "provision for current risks".

- *Provision for fraction of premium*
  This is calculated in all the classes, applying analytically the pro-rata method, on the basis of the gross premiums written, net of the acquisition expenses, as outlined in Articles 51 and 52 of Legislative Decree 173/97.

  For the risks deriving from hailstorms and nuclear energy, the calculation was made as per ISVAP Regulation 16/2008.

  For the Credit Class, the provisions of Article 7, paragraph 4 of ISVAP Regulation No. 16, were applied for the contracts made or renewed before December 31, 1991.
  In the Other Property Damage, Fire, Injury and Transported Goods Classes, further provisions were made for natural calamity, in accordance with ISVAP Regulation No. 16/2008.

  In the Bond Class, the additional provisions were made in accordance with Article 12 of ISVAP Regulation No. 16/2008.

- *Provision for current risks*
  This component of the premium provision is made in accordance with Article 9 of Regulation No. 16/2008 to cover the risks on the company after the year-end, in order to meet all the costs for claims which could arise on contracts which gave rise to the formation of the provision for fraction of premium, for the excess of the expected costs of these risks compared to the provision.

  The calculation method adopted for this provision utilises the empirical method suggested by the Supervision Authority in the above-mentioned Regulation, applied separately for each Class. The level of claims utilised was valued taking into account a period of three years for each class.

In particular:

## Non-Life Unearned Premium provision

Article 37 of Legislative Decree 209/05 requires the obligation to record the unearned premium liabilities under two components, “provision for fraction of premium” and “provision for current risks”.

- *Provision for fraction of premium*
  This is calculated in all the classes, applying analytically the pro-rata method, on the basis of the gross premiums written, net of the acquisition expenses, as outlined in Articles 51 and 52 of Legislative Decree 173/97.
  For the risks deriving from hailstorms and nuclear energy, the calculation was made as per ISVAP Regulation 16/2008.
  For the Credit Class, the provisions of Article 7, paragraph 4 of ISVAP Regulation No. 16, were applied for the contracts made or renewed before December 31, 1991.
  In the Other Property Damage, Fire, Injury and Transported Goods Classes, further provisions were made for natural catastrophes in accordance with ISVAP Regulation No. 16.
  In the Bond Class, the additional provisions were made in accordance with Article 12 of ISVAP Regulation No. 16.

- *Provision for current risks*
  This provision, in accordance with Article 9 of Regulation 16/08, covers the risks to which the company is subject after the year-end in meeting all the costs for claims which may arise from contracts which contributed to the formation of the provision for the premium fraction, for the amount that the expected costs of these risks exceed the provision for the fraction of premium.

  The calculation method adopted for this provision utilises the empirical method suggested by the Supervision Authority in the above-mentioned Regulation, applied separately for each Class. The level of claims utilised was valued taking into account a period of three years for each class.

## Non-Life Claims Provision

The claims provisions represents the total amount of the funds which, based on a prudent valuation of objective elements, are necessary for the payment of claims at year-end, as well as the relative settlement expenses.

The claims provision is determined in accordance with ISVAP Regulation No. 16 of March 4, 2008, utilising the latest cost as calculation criteria, to take into account all expected future charges, on the basis of historical and projected data. This also includes the estimate relating to the claims occurring in the year but not yet reported at the year end.

The liability recognised represents the result of a multi-phased complex technical valuation, which arises from a preliminary valuation made through an analysis of the single positions open, followed by a process to calculate the latest cost assigned to a management level within the company which utilises statistical-actuarial methods for these purposes.

In the case of non reporting of the provisions by the loss adjustor's offices a statistical average cost provision is applied.

Motor TPL Class

It should be noted that February 2007 saw the introduction of the direct indemnity system which, in the event of a road accident, allows victims who are not responsible, or responsible only in part, to be compensated directly by their insurer.

Similar to that applied in the previous year, actuarial statistical models were developed that analyse claims up to 2006 and subsequent claims separately, dividing the latter into claims not falling under the direct indemnity system (primarily as they concern permanent physical injuries resulting in an invalidity of greater than 9% or more than two vehicles involved) and those falling under the CARD handler system. As consideration was taken on the totality of the claims, without distinction between claims incurred and claims reported late, the estimate of the final provision obtained by the model includes the I.B.N.R. provision (Incurred but not reported).
For the current generation, account was also taken of the presumable market value of the average cost of accepted claims.

Claims handled (no Card and Card)

The Chain Ladder Paid and Bornhuetter-Ferguson Paid actuarial methods were used in order to calculate the final cost for the claims provision with equal weighting to both methods.
It should be noted that the discontinuity observed in the number of claims provisioned at the end of 2012 compared to the previous year, primarily deriving from a different management treatment of the claims still open against only direct expenses, resulted in the impossibility of using the Fisher Lange actuarial method, utilised up to the previous year.
The actuarial methods utilised (Chain Ladder Paid and Bornhuetter-Ferguson Paid), based on the total amounts paid and not on the number of claims provisioned, on the other hand permitted the reaching of a satisfactory provision determining a reasonable supplementation compared to the analytical estimates made by the loss adjustor network.

CARD Debtor

The value of the provision derives from the communications made by the Companies through CONSAP. On the claims for which no provision amount is received from CONSAP, the provision is valued as follows:

- material damage – a provision is made equal to the flat rate as per the regulations defined by the Card agreement;
- CTT – an average value is obtained utilising the average statistical cost table adjusted to take account of any ISVAP regulations relating to excess and ceiling levels.

CARD Management flat rates

The provision for the Management CARD flat rate is determined through the application of the regulations for the definition of the flat rates on the cost of the Card Management Claims. Prudently, the calculation of the flat rate is made before the integration due to the application of the actuarial models.

I.B.N.R. provisions (Incurred but not yet reported)
The provision for claims incurred but not yet reported (IBNR) was determined in accordance with the general calculation criteria pursuant to paragraph 1 of Article 32 of ISVAP Regulation No. 16, implementing a method which provides the estimate of the IBNR claims provision, by number and amount, on the basis of experience acquired in previous years, taking into account the trend in the number of late claims and the average cost of claims reported late. The analysis of the IBNR provision was made separately between Third Party Liability, Ordinary, No Card Claims and Card Claims, estimating the amounts based on historical data of late reporting in previous years and the average cost obtained from an analysis of late claims.

Current provision
While confirming the overall need of the provision using the actuarial models, it was considered appropriate to undertake a redistribution between current and previous generations in order to take into account the provisions of Decree Law No. 1 of January 24, 2012 “Urgent provisions for competition, infrastructure development and competitiveness” relating to compensation for minor injuries, whose effects contributed to the reduction of the average cost paid on current claims of 4%.

In 2012 claims with physical injuries reported a reduced percentage of total claims compared to 2011 and their total average cost paid reduced compared to the previous year.
For the determination of the average cost of claims accepted, account was also taken of the corresponding market value for 2011 of Euro 4,345. Assuming that the benefits of the Decree outlined above could also be reflected on the market, a benchmark was identified as Euro 4,330.

## General TPL Class

Taking into account that for the classes with long settlement processes, such as the General Third Party Liability class, the analytical valuation does not take into account all expected future charges, the Company, in order to determine the last cost, has developed the following actuarial valuation methods:

- Chain-Ladder Paid
- GLM

As consideration was taken of the totality of the claims, without distinction between claims incurred and claims reported late, the estimate of the final provision obtained by the model includes the I.B.N.R. provision (Incurred but not reported).
For the application of the Chain Ladder Paid the amounts of the claims paid from 1997 to 2012 were utilised with the addition of an adjustment in order to take account of claims older than 15 years.
The GLM is a stochastic method which, in addition to the claims provision (also determined on the basis of the historical data of payments classified by similar risk categories) provides confidence on the estimates obtained.
The amount of the provision was determined taking into account both methods. In fact, it is increasingly important to associate to the estimate of the provision through the traditional deterministic systems a valuation which, in addition to the value of the provision, allows specification of the predictability indices.

## Other Non-Life Classes

The determination of the last cost was made on the basis of the provisions of the loss adjustor's, adjusted to take into account past experience in relation to changes in the claims provision.
The claims provision includes also the total amount of the sums necessary to cover previous year claims not yet reported at year-end (I.B.N.R. claims provision). The last cost of these claims is estimated with reference to the historical data of previous years and in particular the observation, by individual insurance class, of the late claims made in comparison to the year of occurrence of the event giving rise to the claim.

## Other technical provisions

Also included, in accordance with Article 37, paragraph 8 of Legislative Decree 209/05, is the ageing provision comprising the insurance contracts against long term illnesses or annually with a renewal obligation on expiry and used to compensate the accentuation of risk due to the ageing of the insured person. The provision was calculated in accordance with the provisions of Chapter IV of ISVAP Regulation No. 16/2008.

## Equalisation provisions

These contain the amounts provisioned in order to reduce the volatility in the claim rate in future years or to cover specific risks; in accordance with ISVAP Regulation 16/2008 section V, paragraph III for risks related to natural disasters and related to nuclear energy a provision was created in accordance with applicable regulations. This also includes the compensation provision of the Credit class as per Article 37, paragraph 7 of Legislative Decree No. 209/05.

## Life insurance contract liabilities

The insurance contract liabilities for direct life insurance is calculated analytically for each contract, on the basis of the commitments without any detraction for acquisition expenses of the policies and with reference to actuarial assumptions (technical interest rates, demographic assumptions and operating expenses) used for the calculation of the premiums relating to the contracts in force. In any case, the actuarial provision is not lower than the redemption values. The premium quota relating to the annual premiums of the subsequent year is included in the technical provision.

The actuarial provisions also includes the additional provision on the revaluation service contracts, pursuant to ISVAP Regulation No. 21 of March 28, 2008 and the additional provisions for the base techniques to take into account the higher charges which the company must incur against the existing differences between the interest rate given to the policyholders and the trend of the expected yields of the separated managements over at least the next four years.

The calculation principles and technical procedures utilised for the determination of the reserves and the certification of their sufficiency results from the Actuarial report, in accordance with Legislative Decree No. 209/05.

## Technical provisions where investment risk borne by policyholders and reserves from pension fund management

This category includes the provisions relating to all the products included in Article 41, paragraph 1 and 2 of Legislative Decree No. 209/05, in addition to Class VI contracts, whose calculation, analysed by contract, follows the general procedures of the other insurance contract liabilities in the Life classes. These provisions represent the maximum approximation possible of the underlying assets.

## Technical provisions attributed to reinsurers

The provisions attributable to the reinsurers include the amounts determined, in accordance with the reinsurance contractual agreements, based on the gross amount of the technical reserves.
In particular in relation to the Unearned Premium Provisions on proportional cessions, these are calculated in accordance with Article 37 of Legislative Decree 209/05 for the gross Unearned Premium.

## Inward Reinsurance

For the risks underwritten in reinsurance, the premiums and the costs already communicated by the transferors, with exclusion of inter-group reinsurance and any portfolio managed by the Company, are recorded in the income statement in the following year; this difference in the timing derives from the impossibility to record all the amounts in time for the preparation of the accounts. The insurance contract liabilities are included in the financial statements based on the communications from ceding companies. These communications are subject to an internal valuation.

Where past experience shows deficiencies, adjustments are made in order to ensure the sufficiency of the provisions.

## Provision for risks and future charges

They are made against certain or probable risks of a technical-insurance nature, whose amounts are indeterminable at the date of occurrence.

## Uncertainties on utilisation of estimates

The application of some accounting standards necessarily implies significant elements of judgment based on estimates and assumptions which are uncertain at the time of their assessment.
For the 2012 financial statements, assumptions made are considered to be appropriate and consequently the financial statements are considered to be prepared with the intention of clarity and represent in a true and fair manner the financial situation and result for the year. The disclosures required as per Article 94 of the Finance Act on Private Insurance are provided below. In the notes in the relative paragraphs, adequate and exhaustive information is provided into the underlying reasons for the decisions taken and the valuations made. In order to provide reliable estimates and assumptions reference was made to historical experience, as well as other factors considered appropriate in the specific cases, based on the available information.

However, it cannot be excluded that changes in estimates and assumptions may determine significant effects on the balance sheet and income statement, as well as on the potential assets and liabilities reported for information purposes in the financial statements, where different judgments are made to those originally prevailing.

In particular, management used more subjective valuations in the following cases:

- in the determination of the loss in value of investments;
- in the determination of the current value of financial assets and liabilities where they were not directly obtained from active markets. The elements of subjectivity relate to, in this case, in the choice of the valuation models or in the input parameters which may not be observable on the market;
- in the definition of the parameters utilised in the analytical valuations of non-current equity securities to evaluate the existence of any permanent loss in value. In particular reference is made to the choice of the valuation models and the principal assumptions and parameters utilised;
- in the estimate of the recovery of the deferred tax assets;
- in the quantification of provisions for risks and charges, for the uncertainty therein and of the time period;
- in the estimation processes determining the technical reserves of the Non-Life Division.

The examples above aim to provide the reader of the financial statements a better understanding of the main areas of uncertainty, but it is not intended in any case to imply that alternative assumptions could be appropriate or more valid. In addition, the valuations in the accounts are made based on the going concern of the business, in that no risks were identified which could compromise the normal carrying out of the business activities.

## Service bonus provision pursuant to Article 32 of the National Collective Bargaining Agreement

The fund was created for all employees that had completed 20 and 30 years of service at the company based on the annual contributions at 31/12/2012 and proportional to premiums maturing after 25 and 30 years of service. The provision is used for the premiums issued and re-determined at the end of each year.

## Payables and other liabilities

Payables are determined at their nominal value.

## Post-employment benefits

This is calculated on the current labour contracts and criteria contained in article 5 of law No. 297 of May 29, 1982 which governs the treatment of leaving indemnities.
The charge deriving from the contractual renewals, due to the retrospective effect, are recorded when these agreements enter into force.

## Prepayments and accruals

Prepayments and accruals are calculated in accordance with the accruals principle.

## Guarantees, commitments and other memorandum accounts

They are recorded in the accounts at the value of the commitments assumed or the guarantees given or received.

## Gross premiums written

In accordance with Article 45 of Legislative Decree 173/97, the gross premiums calculated include the amounts matured in the year from insurance contracts.

## Other technical charges

These are recorded in the income statement net of reinsurance. For the Non-life division, they include, among others: the write-downs for uncollectible receivables from policyholders for premiums in the year made at the year-end, the write-downs of receivables from policyholders for premiums of previous years together with the cancellations of receivables from policyholders for premiums of previous years. For the Life division, they include, among others: the write-downs for uncollectible receivables from policyholders for single premiums made in the year at year-end, the write-downs of receivables from policyholders for first annuity and single premiums of previous years together with the cancellations of receivables from policyholders for first annuity premiums of previous years.

## Other technical income

For the Non-Life classes the income includes, among others, the prior year income on receivables from policyholders for premiums of previous years, previously written down or cancelled. For the Life classes this income includes, among others, the prior year income on receivables from policyholders from premiums of first and single annuity previously written down or cancelled.

## Income from debt and equity securities

The interest income matured, the issue margin and the difference between purchase cost and nominal collectible value on maturity is recorded in the income statement based on the annual accrual principle.
The dividends are recorded in the year in which they are paid.
The dividends from subsidiaries are recorded based on the "maturity" principle, or rather the year in which the profits are produced by the subsidiaries and for which the relative distribution resolution was made prior to that of the Parent Company.

The gains and losses deriving from trading on securities in the portfolio of the Company are recorded in the income statement in the year in which the relative sales contracts are settled.
The results deriving from trading of non-current financial instruments on the other hand are recorded on the signing of the relative sale/purchase contract.

## Income taxes

The income taxes are determined on the basis of the valuation of the current and deferred tax charge. The direct taxes for the period are calculated based on current tax regulations.
All the temporary differences, both deductible and assessable, refer to the income tax rate in force at the moment in which the differences will reverse.

The deferred tax assets are recorded in the accounts only when reasonably certain of their recovery in relation to the expected assessable income.

Liabilities for deferred taxes are always recorded in the financial statements. The deferred tax liabilities relating to the higher values not fiscally recognised were recorded prudently, for the revaluations of investments made against the allocation of the merger difference originating from the incorporation of Fondiaria Assicurazioni S.p.A. and other Group companies, where it is probable that these higher values will generate higher assessable income.

Deferred tax provisions are not made against net equity taxable reserves in the case of distribution as these distributions are not probable. Similarily, no provision was made for deferred taxes against the suspended taxes reserve related to the share capital.

Deferred tax liabilities were also recorded in previous years following the deductions made on the declaration of income taxes only for tax purposes.
The deferred tax assets and liabilities also include the prior balances, as well as those arising during 2011 relating to the companies participating in the tax regime as per Article 115 of Presidential Decree Number 917/1986. In this case, the deferred tax of the company is recorded proportionally to the percentage of the shareholding held.

The income taxes also include any tax saving (or higher charge) deriving from the adoption of the national tax consolidation as per Article 117 of DPR 917/1986 for the part relating to the Company based on the agreements with each of the subsidiaries participating as well as any tax loss incurred within the limits of immediate compensation by the net income transferred by the other participating companies.

Income taxes include substitute income taxes on income against options already exercised during the year and to be exercised relating to the year.

The deferred taxes are recorded under income taxes and in the balance sheet under “Other assets” or “Tax provisions”.

## Foreign currency transactions

The accounting of the operations in foreign currencies is made through the utilisation of multi currency accounting. The balances in foreign currencies are therefore stated in the accounts and converted to Euro applying the exchange rates at the balance sheet date. The relative effects are recorded in the income statement accounts “Other Income”, if positive or “Other Charges”, if negative.
The historic exchange rates are maintained only for the investments considered long term, provided that the exchange rate does not reflect a permanent loss in value.

## Breakdown of the settlement expenses of claims not directly allocated to the ministerial classes

Based on the management accounts, a breakdown was made on the settlement expenses between “Motor” and other “Non-Life Classes”.
The division on each class is made in proportion to the average arithmetical percentage of the number of claims settled and of the relative amounts, this latter excluding any particular serious events.

All the amounts in the attachments are shown in thousands of Euro. The data in the notes are in Euro with indication whether the amounts are in thousands or millions of Euro.

## Common Non-Life and Life management costs and revenues

The breakdown of common costs and revenues for Non-Life and Life management were as follows:

- the technical-insurance costs and revenues are allocated directly to the individual managements on origin;
- for the other non technical costs and revenues such as asset and financial income and charges, depreciation, provisions as well as other extraordinary and ordinary income and charges, the allocation to one of the managements is made from origination based on the direct correlation which relates the asset elements from which they derive;
- for the other non technical costs and revenues, such as personnel not allocated and other administration expenses not directly allocated, the division between the two managements is based on an analytical accounting basis which, recorded based on cost centres, permits the allocation to one of the management centres. On the other hand, common income and costs are divided according to the drivers which takes into account specific weight of each class of the overall business.

# Part B
# Information
# on the Balance Sheet
# and Income Statement

# BALANCE SHEET – ASSETS

The information on the accounts of the Balance Sheet, the amounts of the previous year and the movements are provided below.
Where the accounts of the previous year are not comparable with that of the current year, necessary adjustments were made. Where not comparable, any adjustments or the impossibility to make adjustments are included in the comments to the individual accounts.

## SECTION 1

### INTANGIBLE ASSETS – (Account B)

The intangible assets, entirely considered as long-term, amount to Euro 235,945 thousand (Euro 174,350 thousand at 31/12/2011) and are shown net of amortisation.
The intangible fixed assets are systematically amortised in relation to their residual utilisation. During the year, no situations arose resulting in a permanent loss in value.

The movement in the year is summarised in attachment 4, to which reference should be made.

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Acquisition commissions to be amortised | | | |
| -Non-Life | 17,263 | - | 17,263 |
| -Life | 4,227 | - | 4,227 |
| Formation and start-up costs | 76,156 | 20,581 | 55,575 |
| Goodwill | 138,296 | 153,662 | (15,366) |
| Other deferred costs | 3 | 107 | (104) |
| **Total** | **235,945** | **174,350** | **57,368** |

**Acquisition commissions to be amortised**
The acquisition commissions on Non-Life long-term contracts are capitalised and amortised on a straight-line basis over three years. For the Life Classes the commissions are amortised, up to their respective loading, based on the duration of the contract, for a period no longer than ten years. The acquisition commissions to the amortised amount to Euro 21,490 thousand, of which Euro 4,227 thousand concerning the Life classes and Euro 17,263 thousand concerning the Non-Life classes.
Until the end of the previous year, the commissions on the long-term contracts concerning both life and non-life sectors were however entirely expensed in the income statement in the year in which they were issued.
The change in the accounting principle relates to the accounting of the costs on the accruals basis rather than on the general prudence principle, which resulted in a lower charge to the income statement in 2012 of approx. Euro 21.5 million.

**Formation and start-up costs**
The account formation and start-up costs includes costs incurred for the share capital increase in 2011 for Euro 14,423 thousand, charges incurred for the share capital increase in 2012 for Euro 54,426 thousand and charges incurred in 2012 for the integration project in course with the Unipol Group for Euro 7,307 thousand.
These costs are amortised on a straight line basis over a period of five years. In the income statement, depreciation was recorded totaling Euro 21,591 thousand and no write-downs were recorded.

**Goodwill**
The account "Goodwill" comprised exclusively the residual surplus on the cancellation emerging from the merger by incorporation of La Fondiaria S.p.A. into Fondiaria-SAI S.p.A., during 2002, net of the quota allocated to buildings and investments. This cost is amortised over a period of 20 years.

**Other deferred costs**
The Other deferred costs refer exclusively to the cost relating to the brands "Principi di Piemonte" and "Finanza e Previdenza" totalling Euro 3 thousand. These costs are amortised over 10 years.

# SECTION 2

## INVESTMENTS - (Account C)

## Land and buildings

All the land and buildings of the Company are considered as for permanent use.

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Property used for business activities | 11,770 | 12,100 | (330) |
| Property used by third parties | 988,875 | 1,084,785 | (95,910) |
| Other buildings | 14,749 | 17,363 | (2,614) |
| Other property rights | 3,864 | 5,315 | (1,451) |
| Assets in progress and payments on account | 2,329 | 2,808 | (479) |
| **Total gross** | **1,021,587** | **1,122,371** | **(100,784)** |
| Accumulated depreciation | (74,880) | (55,860) | (19,020) |
| **Net total** | **946,707** | **1,066,511** | **(119,804)** |
| Fair value | 1,197,739 | 1,391,273 | (193,534) |

The account "Property used by third parties" includes the buildings for services and residential use.

The account "Other buildings" includes the Agriculture Land at Montepulciano, the land located in Florence (Via S. Leonardo 38-40-42), in Sanremo, in Modena (V. Buonarroti), in Rome (Tor Carbone), in Bruzzano, in Camogli and in Santa Margherita Ligure. The decrease of Euro 2,614 thousand relates to the write-down of land at Bruzzano and the partial sale in Santa Margherita Ligure.

The account “Other property rights” includes car parking spaces in Florence and building rights in the Viquarterio area in the municipality of Pieve Emanuele, written down for Euro 1,451 thousand.

The account “Assets in progress and payments on account” relates to the future building at via P.Ferrari, Modena, which was written-down for Euro 479 thousand.

There are no leased assets nor have any finance lease acquisitions taken place.

The decrease of Euro 119,804 thousand in investments in land and buildings compared to 31/12/2011 arises from:

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| - Purchases | - | - | - |
| - Capital improvements | 1,477 | 6,303 | (4,826) |
| - Write-downs | (114,747) | (51,104) | (63,643) |
| - Sales | (6,534) | (46,877) | 40,343 |
| **Total** | **(119,804)** | **(91,678)** | **(28,126)** |

There were no purchases in the year.

The sales principally relate to the sale of the building at Florence, Via Leone X 3 (Euro 2.6 million), in Milan, Via Fiori Chiari (Euro 1.5 million), in Origgio, Viale Italia 6 (Euro 0.7 million) and in Turin, Corso Traiano 2 (Euro 0.2 million).

The change of capital improvements concerns principally the buildings in Rome – Via Govoni, 24/43 (Euro 1.1 million), in Florence – Viale Lavagnini 7 (Euro 0.2 million) and also in Florence at Via San Leonardo 44 (Euro 0.1 million).

Depreciation in the year amounted to Euro 19,157 thousand (Euro 377 thousand in 2011).

The write-down amounts to Euro 95,727 thousand and refers to the following buildings:

| (in Euro thousands) | |
|---|---|
| Calenzano – Via Degli Olmi 7 | 450 |
| Camogli – Via Gaggini 1 | 1,013 |
| Florence – Via Baracca 18 | 397 |
| Florence – Via Campo d’Arrigo 134 | 523 |
| Florence – Via Landini/Via Catalani 8 | 855 |
| Florence – Via Matteotti 50 | 218 |
| Florence – Via Ricasoli 48 | 255 |
| Florence – Viale Lavagnini 3-5 | 207 |
| Florence – Viale Matteotti 14-16-18 | 3,146 |
| Florence – Viale Matteotti 52 | 1,046 |
| Florence – Viale S. Lavagnini 7 | 240 |
| Genoa – Piazza Ferrari 1 | 3,595 |
| Giardini Naxos – Via Recanati 26 (Hotel complex) | 21,402 |
| Milan – Bruzzano buildings | 169 |
| Milano – Pieve Emanuele Via dei Pini Loc.Viquarterio | 1,451 |
| Milan – Bruzzano land | 2,605 |
| Milan – Torre Galfa Via Fara 41 | 13,420 |
| Milan – Via Larga 26 | 210 |
| Milan – Via Merzi D’Eril 34 | 4,019 |
| Milan – Via Torino 66-68 – Via S. Sisto 4 | 1,967 |
| Milan – Viale Monza 139 | 2,225 |
| Modena – Via P. Ferrari | 501 |
| Moncalieri – Strada Ferrero di Cambiano | 335 |
| Prato – Via Simintendi 20 | 341 |
| Turin – Corso Vittorio Emanuele II 48 | 1,274 |
| Turin – Via Arsenale 5 | 402 |
| Turin – Via Gobetti 15 (Hotel Principi di Piemonte) | 10,972 |
| Trieste – Viale XX Settembre 89 | 294 |
| Varese – Via Albani 41 | 22,195 |

In accordance with Article 18 of Legislative Decree 173/97 and ISVAP Regulation No. 22, the Company determined, through an independent expert’s evaluation, the current value of the land and building owned. The market value was determined through the separate valuation of each asset, applying typical property methods, integrated with elements which take account of the returns on the buildings, in accordance with the methods outlined therein.
The overall market value of the buildings is Euro 251 million above the book value. The gross gains amount to Euro 252 million while the losses amount to Euro 1 million. An attachment to the notes reports for each building owned and cumulatively for the condominium units, the market value. The residual lower values between carrying value and market value was not considered a permanent loss in value.

The above-mentioned write downs were made to align the carrying value to the respective market values as resulting from independent experts’ evaluations. For these buildings the difference between the book value and the market value is considered as a long-term loss in value.

Attachment 4 shows the changes in the year.

## Investments in group companies and in other companies

These amount to Euro 2,775,839 thousand and were as follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| - Shares and holdings in companies | 2,711,966 | 3,447,805 | (735,839) |
| - Corporate bonds | 58,746 | 52,722 | 6,024 |
| - Corporate loans | 5,127 | 2,702 | 2,425 |
| **Total** | **2,775,839** | **3,503,229** | **(727,390)** |

Class C. II. of the Balance Sheet includes marketable securities, represented by the investment in the parent company Premafin Finanziaria S.p.A. - for a book value of Euro 2,353 thousand (Euro 2,289 thousand at 31/12/2011) and Unipol Gruppo Finanziario for a book value of Euro 36 thousand. The residual relates to non-current assets.

**Shares and holdings in companies**

The investments shown in account C.II.1 of the Balance sheet amount to Euro 2,711,966 thousand.
The composition of the account is as follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| - Holding companies | 2,389 | 2,289 | 100 |
| - Subsidiaries | 2,663,099 | 3,334,747 | (671,648) |
| - Associated companies | 23,163 | 34,062 | (10,899) |
| - Other | 23,315 | 76,707 | (53,392) |
| **Total** | **2,711,966** | **3,447,805** | **(735,839)** |

The amount is shown net of write downs for Euro 755,366 thousand detailed in the following table:

| **Company**<br>(in Euro thousands) | **Net write-downs** | **Classification** |
|---|---|---|
| **Investment in the holding company** | **(20)** | |
| -Premafin | 64 | Current investments |
| -Unipol Gruppo Finanziario | (84) | “ |
| **Investments in subsidiary companies** | **(691,648)** | |
| Atahotels | (8,527) | Non-current investments |
| Auto Presto & Bene | (2,904) | “ |
| Banca Sai | (30,245) | “ |
| Casa di Cura Villa Donatello | (1,209) | “ |
| Centro Oncologico Fiorentino Casa di Cura Villanova | (14,587) | “ |
| Ddor Novi Sad | (34,280) | “ |
| Eurosai | (76) | “ |
| Gruppo Fondiaria-Sai Servizi | (1,050) | “ |
| Immobiliare FondiariaSai | (45,887) | “ |
| Immobiliare Lombarda | (2,597) | “ |
| Incontra Assicurazioni | (10,418) | “ |
| Meridiano Aurora | (1,397) | “ |
| Milano Assicurazioni | (427,742) | “ |
| Nuove Iniziative Toscane | (60,832) | “ |
| Popolare Vita | (28,000) | “ |
| Sai Mercati Mobiliari | (892) | “ |
| Sainternational | (5,715) | “ |
| Service Gruppo Fondiaria-Sai | (30) | “ |
| Villa Ragionieri | (15,260) | “ |
| **Investments in associated companies** | **(10,251)** | |
| - Fondiaria-sai Servizi Tecnologici | (1,524) | “ |
| - Fin Priv. | (8,727) | “ |
| **Investments in other companies** | **(53,447)** | |
| -Alitalia – Compagnia Area Italiana S.p.A. | (39,596) | “ |
| - Gruppo GPA | (454) | “ |
| - Istituto Europeo Oncologia | (6,955) | “ |
| - Sofigea | (4,999) | “ |
| - Wave Technologies S.r.l. | (1,443) | “ |
| **TOTAL** | **(755,366)** | |

The decrease relates to the investments in subsidiaries amounting to Euro 671,648 thousand, comprising:

(in Euro thousands)

| | |
|---|---|
| Write-down of permanent loss in value | (691,648) |
| Repayment shareholder payments | (20,000) |
| Capital payments on account | 23,644 |
| Payment to cover losses in the year | 16,821 |
| Disposal of investments | (465) |
| **Total** | **(671,648)** |

In detail, the increase relating to the subsidiaries is due to the following operations:

- ATAHOTELS S.p.A.: payment of share capital increase of Euro 7,650 thousand;
- AUTO PRESTO & BENE S.p.A.: reduction of share capital for 2,380,939 shares for partial coverage of prior year losses and payment of capital increase to partially cover losses in 2011 of Euro 2,700 thousand;
- BANCA SAI S.p.A.: payment to cover 2011 loss for the year of Euro 9,848 thousand;
- CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.: capital payment on account for a total of Euro 14.5 million, of which Euro 2.5 million to recapitalise the equity planned in the industrial plan and Euro 12 million estimated capitalisation according to the plan for the entire year 2012;
- EUROSAI S.r.l.: payment to cover 2011 loss for the year of Euro 200 thousand;
- GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.: payment to cover 2011 loss for the year of Euro 3,973 thousand;
- IMMOBILIARE FONDIARIA-SAI S.r.l.: transfer shareholder loan to future capital increase account for Euro 20 million, and capital payment on account for Euro 350 thousand;
- NUOVE INIZIATIVE TOSCANE S.r.l.: capital payment on account with payment of Euro 1,144 thousand necessary for ordinary charges in the current year;
- SISTEMI SANITARI S.c.r.l.: Sale of the entire investment of Euro 466 thousand to the company Gruppo Fondiaria-SAI servizi S.c.r.l. with the realisation of a gain of Euro 265 thousand, preliminary operation for the merger in the acquiring company;
- STIMMA S.r.l.: payment to cover losses of Euro 100 thousand.

The book value of the listed companies included in account C.II.1 of the Balance Sheet is Euro 471,918 thousand higher than the market value, based on the listed values at December 31, 2012; this difference is entirely related to the subsidiary Milano Assicurazioni, for which reference should be made to the paragraph “Non-current investments”.

Pursuant to article 16 point 4 of Legislative Decree No. 173/97 the table below shows the investments in subsidiaries and associated companies classified as “non-current”, whose carrying value is above the pro-quota net equity of the investment: the differences summarised below, are described both in the present financial statements and in the explanatory notes to the consolidated financial statements.

| (in Euro thousands)<br>Subsidiary and Associated Companies | **% holding (ord. & sav. shares)** | **Book values** | **Net Equity pro rata** | **Difference** |
|---|---|---|---|---|
| DDOR NOVI SAD | 99.99 | 95,957 | 36,236 | (59,721) |
| FONDIARIA-SAI NEDERLAND B.V. | 100.00 | 108,988 | 56,814 | (52,174) |
| IMMOBILIARE FONDIARIA-SAI S.r.l. | 100.00 | 409,851 | 358,910 | (50,941) |
| MILANO ASSICURAZIONI S.p.A. | 60.34 | 824,902 | 539,916 | (284,986) |
| NUOVE INIZIATIVE TOSCANE S.r.l. | 96.88 | 113,634 | 98,969 | (14,665) |
| POPOLARE VITA S.p.A. | 24.39 | 344,934 | 123,716 | (221,218) |

- **Popolare Vita S.p.A.**
  As already described last year, following the merger of Novara Vita (this latter held 50% by Sai Holding - 100% subsidiary), with Popolare Vita, the investment in this latter, due to the share swap, held by Fondiaria-SAI amounted to 24.39% and by Sai Holding to 25.61%. The carrying values of the investment was Euro 344,934 thousand in Fondiaria-SAI and Euro 160,466 thousand in Sai Holding.
  Also in 2012, Popolare Vita recorded premium volumes lower than forecasted in the original plan, which consequently is no longer utilisable to calculate the recoverable value of the goodwill referring to this initiative.

  Therefore for the purposes of the impairment test at December 31, 2012, a valuation was made by an independent expert to establish the appraisal value of the subsidiary considering the possible exercise of the sales option to the second largest shareholder of the Company, under the shareholder agreement signed on September 7, 2007. The approach adopted is therefore undertaken to determine the fair value of Popolare Vita.

  This valuation was based on:

  - the embedded value at December 31, 2012;
  - the goodwill as of December 31, 2012 as the sum of the value of future new business based on products sold in 2012, the respective costs and volumes of new business forecast over the next 5 years and the Terminal Value as capitalisation in perpetuity, at a long-term growth rate of the added value of the new business for the last year. The valuation range on average identified a recoverable value of Euro 505 million. Therefore it was necessary to record a write-down of the investment of Euro 28 million.

  In order to further support the conclusions reached and as a control methodology, two further valuation methods were utilised.
  Firstly, the comparable transactions multiple method was used, and in particular, the Goodwill/Gross Premiums and Price/Net Equity multiple concerning a sample of transactions on the Italian market in the 2008-2012 period. In particular, the multiples considered are 19.7% for Goodwill/Gross premiums and a ratio of 1.72 for Price/Net equity. Based on the application of the method outlined above, a recoverable value of the investment in Popolare Vita of Euro 587.0 million and Euro 522.9 million were calculated, respectively based on the Goodwill/Gross Premiums multiple and the Price/Net equity multiple.

  The second control method adopted was the Appraisal Value of the subsidiary, utilising a time period consistent with the duration of the distribution agreement (and therefore until 2017). In this case the approach adopted was based on the Value in Use. The components considered for the application of the Appraisal Value are the following:
  - Adjusted Net Asset Value at December 31, 2012;
  - Value of in force business at December 31, 2012;
  - New Business value on expiry (2017).

The New Business Value estimate was made utilising the 2012 new business and assuming a reasonably sustainable growth of premiums written for the next 5 years (residual duration of the distribution agreement), leaving new business profitability at the 2012 level. The benefit deriving from the outsourcing contract between the Parent company and the subsidiary was added to the Appraisal Value. For this purpose, the 2013-2017 future cash flows estimated based on 2012 net revenues were discounted. Also this method identified a range of values within the recoverable value calculated under the principal method.

- **Milano Assicurazioni S.p.A.**
  The subsidiary was written down for Euro 428 million.
  This residual difference between the book value and the share of net equity was not considered to reflect a permanent loss in value as offset by future insurance business and residual unrealised gains on investment property.
  In any case, the book value, based on the unitary value of Euro 0.73 for each ordinary share held, was confirmed by internal valuations, which allocates to the Milano Assicurazioni share a unitary value between a minimum of Euro 0.73 and a maximum of Euro 0.85.
  The valuation was made using the sum of parts method which separately values the Non-Life business with DDM financial models, in the excess capital version, and the Life business using Appraisal Value actuarial methods. The valuation was also in line with the impairment test carried out for consolidation purposes as per IAS 36.

- **Nuove Iniziative Toscane S.r.l.**
  In relation to Nuove Iniziative Toscane, the difference is justified by residual unrealised gains on property of the company, already allocated to the investment on the incorporation of La Fondiaria. A write-down of approx. Euro 61 million was made in the year also due to the effect of the independent experts' valuations made on the buildings. This amount, which reduces the difference between the book value and net equity, represents, together with the write-downs already made in 2011 for Euro 38 million, the share of unrealised gains originally allocated and no longer recoverable. Finally we report that, with sentence pronounced on March 6, 2013, the Florence Court released from seizure the property owned by the subsidiary and that the valuation was made based on the going concern of the company.

- **DDOR NOVI SAD**
  In relation to **DDOR** the difference is due to the residual goodwill, implicit in the carrying value of the investment, in addition to the VOP (Value on business acquired) recognised on the acquisition of the company. The residual difference relating to **Fondiaria-SAI Nederland** were largely reabsorbed with unrealised gains on investments held in The Lawrence RE. Relating to **Immobiliare Fondiaria-SAI**, the residual difference is principally due to the unrealised gains on the investments and on the buildings held by the company.

**Corporate Bonds**

The fixed income securities shown in the account C.II.2 amount to Euro 58,746 thousand. This refers to issues of the subsidiary Banca Sai for Euro 32,592 thousand, to the Profit Participating Bonds related to loans for Euro 24,714 thousand and the Special Interest Bond related to interest on the loan to the Company Ex Var for Euro 1,440 thousand. None of the issues subscribed are listed on regulated markets.
The increase principally refers to the subscription of the bond issued by the company Ex Var classified under other Group companies for Euro 4,790 thousand.

The recovery in values amounts to Euro 1,210 thousand, entirely relating to the bonds issued by BancaSai.

## Corporate Loans

The “Loans to group companies and other holdings” were as follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Subsidiaries | 4,977 | 2,552 | 2,425 |
| Other | 150 | 150 | - |
| **Total** | **5,127** | **2,702** | **2,425** |

Loans issued to subsidiary companies relate to:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Casa di Cura Villa Donatello S.p.A. | 3,025 | 600 | 2,425 |
| Centro Oncologico Fiorentino Casa di Cura Villanova S.r.l. | 1,952 | 1,952 | - |
| **Total** | **4,977** | **2,552** | **2,425** |

During 2012 the loan provided to Casa di Cura Villa Donatello increased by Euro 2,425 thousand.

The loans issued to other Group companies are as follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Gruppo GPA S.p.A. | 150 | 150 | - |
| **Total** | **150** | **150** | **-** |

The loan relating to the GPA Group does not have a fixed maturity as it is a bridge loan until the completion of the plan for the future entry of new shareholders.

When the holding no longer needs the loan, Fondiaria-SAI will have the choice of repayment or conversion into share capital. The interest on the loan is Euribor at one month increased by 1.00%.
The changes are reported in attachment 5.

## Other financial investments

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Shares and quotas | 471,049 | 634,834 | (163,785) |
| Investment fund units | 522,243 | 623,857 | (101,614) |
| Bonds and other fixed-income securities | 9,808,851 | 8,651,280 | 1,157,570 |
| Loans | 24,014 | 26,612 | (2,598) |
| Deposits at credit institutions | 15,193 | 442 | 14,751 |
| Other financial investments | 2,877 | 174 | 2,703 |
| **Total** | **10,844,227** | **9,937,199** | **907,028** |

## Shares and quotas included in Other financial investments

The account is composed as follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Listed shares | 447,133 | 615,193 | (168,060) |
| Non-listed shares | 23,916 | 19,641 | 4,275 |
| **Total** | **471,049** | **634,834** | **(163,785)** |

The investments recorded a loss on valuation of Euro 51,353 thousand (Euro 165,766 thousand at 31/12/2011), principally relating to listed companies.

The principal impairments relate to the following listed investments:

- Mediobanca for Euro 34,142 thousand;
- Unicredit ordinary shares for Euro 4,865 thousand;
- Banca Intermobiliare for Euro 4,126 thousand;
- Telecom Italia ordinary shares for Euro 683 thousand;
- Intesa SanPaolo ordinary shares for Euro 594 thousand.

With reference to the investments in Intesa SanPaolo, Mediobanca and Unicredit we report that at the end of 2012, the investments were transferred from the non-current segment to the current segment. The decision results from the Board of Directors' meeting resolution of December 20, 2012 in relation to the commitment taken with the Market Regulator to sell the shareholdings in Intesa SanPaolo, Mediobanca and Unicredit by December 31, 2013.
Therefore, based on this commitment the above-stated investments are no longer considered of a long-term strategic nature appropriate to be classified, in accordance with Article 14, paragraph 2 of ISVAP Regulation No. 36, as an investment in the non-current segment.

Subsequent to the transfer the investments were valued in accordance with the criteria for the segment and therefore the lower between the book value and the stock market prices at December 31, 2012.

The recoveries in value amount to Euro 14,719 thousand, of which Euro 5,862 thousand relating to the listed Gemina ordinary shares and Euro 4,326 thousand to the listed Banca Popolare di Milano share. The carrying value of the listed companies is lower than the market value by Euro 48,215 thousand, resulting from the stock market values at the end of December and the exchange rates at the year-end.

The most significant operations relating to the account C.III.1 were as follows:

- GENERALI: sale of 7,389,336 shares realising a net gain of Euro 3,860 thousand, of which Euro 4,429 thousand related to the reversal of 6,637,914 combined options;

- MEDIOBANCA: sale and repurchase of 8,049,500 shares, realising a loss of Euro 25,045 thousand.

- PIRELLI & C. ORD: sale and repurchase of 11,253,000 shares, realising a gain of Euro 23,740 thousand.

## Investment fund units

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Investment fund units | 522,243 | 623,857 | (101,614) |
| **Total** | **522,243** | **623,857** | **(101,614)** |

The account is composed as follows:

| | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| **Property Funds** | | | |
| Tikal. Fund | 198,074 | 241,840 | (43,766) |
| Rho Property Fund - class B | 52,750 | 52,750 | - |
| Public Property Funds | 50,305 | 51,853 | (1,548) |
| Rho Property Fund - class A | 19,475 | 19,475 | - |
| Pan-European Property Fund | 16,708 | 17,461 | (753) |
| Eracle Fund | 14,250 | 14,250 | - |
| Scarlatti Fund | 6,202 | 6,336 | (134) |
| Omega Immobiliare PT Fund | 5,700 | 5,700 | - |
| Atlantic 1 – Property Fund | 3,581 | 6,507 | (2,926) |
| Immobiliare Vesta Closed Fund | 3,035 | 3,446 | (411) |
| Energheia Fund | 2,761 | 2,390 | 371 |
| Italian Business Hotels-Property Fund | 2,588 | 3,190 | (602) |
| Cloe – Offices Fund | 1,408 | 1,408 | - |
| Omicron Plus Property Fund | - | 4,484 | (4,484) |
| **Total Property Funds** | ***376,837*** | ***431,090*** | ***(54,253)*** |
| **Securities Funds** | | | |
| Sicav Saint George Ucits Fixed Income | 43,300 | 43,218 | 82 |
| Sicav Saint George Ucits Total Return | 22,492 | 21,078 | 1,414 |
| Saint George Ucits Sicav Market Neutral | 14,338 | - | 14,338 |
| Acomea Asia Pacifico Fund | 9,850 | 8,772 | 1,078 |
| Tenax Financials VCIC Cl.D Eur acc Fund | 8,900 | 9,302 | (402) |
| Helm Opportunities Found Classe A | 6,714 | 6,714 | - |
| Acomea Europa Fund | 4,907 | 4,462 | 445 |
| Sicav Saint George Ucits Europ Equity High Div(CI) | 4,609 | 4,127 | 482 |
| Acomea Italy Fund | 4,131 | 3,588 | 543 |
| Sicav Eskatos Multistrategy Ils Sif Cl.D Eur | 3,000 | - | 3,000 |
| Idea 1 of Funds Classe A Fund | 2,841 | 2,662 | 179 |
| Alto Capital II-FCC Cl.A Acc.Port Fund | 2,736 | 2,244 | 492 |
| DGPA Mobiliare Closed Fund | 2,508 | 4,403 | (1,895) |
| ETF DB X-Trackers Shortdax Daily borsa xetra | - | 13,068 | (13,068) |
| Acomea America Fund | - | 16,177 | (16,177) |
| Acomea Multi Patrimonio Prudente Fund | - | 5,249 | (5,249) |
| Akros Long/Short Equity Fund | - | 4,683 | (4,683) |
| Acomea Liquidità Fund | - | 2,795 | (2,795) |
| Others | 15,080 | 40,225 | (25,145) |
| **Total Securities Funds** | ***145,406*** | ***192,767*** | ***(47,361)*** |
| **Total** | **522,243** | **623,857** | **(101,614)** |

The decrease in mutual property funds of Euro 54,253 thousand principally relates to the write-down of the Tikal Fund (Euro 43,766 thousand), to the sale of the Omicron Plus Fund for Euro 4,484 thousand, realising a gain of Euro 1,695 thousand and the pro-quota repayment of capital of the Public Property Fund for Euro 1,548 thousand.
The write-downs recognised amount to Euro 50,369 thousand, principally (Euro 43,766 thousand) relating to the Tikal R.E. Fund, following the adjustment of the property values to market values, while the recoveries amount to Euro 6,161 thousand.

## Bonds and other fixed-income securities

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Listed | 9,723,583 | 8,550,195 | 1,173,388 |
| Non-listed | 69,757 | 75,245 | (5,488) |
| Convertible bonds | 15,511 | 25,841 | (10,330) |
| **Total** | **9,808,851** | **8,651,281** | **1,157,570** |

The bond segment is comprised of government securities for Euro 7,679,364 thousand and corporate bonds for Euro 2,129,487 thousand.

Within the fixed income listed securities it was decided to reduce the exposure to German bonds for Euro 554,774 thousand and United Kingdom government bonds for Euro 35,082 thousand and increase the positions held in supranational bonds for Euro 278,240 thousand and in the Eurozone countries with higher returns and lower risks (Dutch government bonds for Euro 54,397 thousand).

In addition, in relation to securities of the PIIGS, exposure was reduced towards Spanish securities for Euro 19,605 thousand and reduced to zero for Greek bonds, which at December 31, 2011 amounted to Euro 28,388 thousand.

We also report that the liquidity from the recent capital increase was principally invested in Italian Government bonds: therefore there was an increase in Italian bonds of Euro 1,558,137 thousand.

The write-downs to market values in the income statement amounted to Euro 8,997 thousand and primarily refer to listed fixed income securities; the write-backs of bonds amounted to Euro 93,746 thousand.

The net decrease in the convertible bonds is principally related to sales for Euro 4,166 thousand and the share capital increase with the bond rights for Euro 6,132 thousand, net of recoveries for Euro 1,681 thousand and adjustments of Euro 1,711 thousand.

The listed bonds are recorded in the accounts for a net value lower than the market value of Euro 265,954 thousand, determined based on the year-end prices and exchange rates.

The losses on market value of the non-current portfolio were not considered permanent losses.

## Government debt securities issued by Spain, Portugal, Ireland, Italy and Greece

The following table reports the exposure of Fondiaria SAI to government securities issued by the other so-called peripheral Eurozone countries. As recently requested by the European Securities and Markets Authority (ESMA), the table also includes debt securities issued by the Italian government.

(in Euro thousands)

| State | Maturity within 12 months | Maturity from 1 to 5 years | Maturity from 6 to 10 years | Maturity Over 10 years | Total Book value | Prices at December 31 | Net latent gains/(losses) |
|---|---|---|---|---|---|---|---|
| Spain | - | 15,656 | - | 27,571 | 43,227 | 37,577 | (5,649) |
| Portugal | - | 2,998 | - | - | 2,998 | 2,961 | (38) |
| Ireland | - | - | 17,730 | - | 17,730 | 18,155 | 425 |
| Italy | 596,107 | 2,458,971 | 2,505,975 | 1,726,560 | 7,287,613 | 7,391,880 | 104,267 |

These net losses relate principally to securities recorded in the non-current segment, in that those recorded in the current segment in line with the applicable accounting principles for this segment were valued at the lower of book value and market value at December 31.

In relation to the securities issued by Greece, we recall that on February 24, 2012 the exchange offer on Greek government securities was approved which provides for every Euro 1,000 of nominal value of securities in circulation, the substitution with:

- 20 Greek government securities for a total nominal value of Euro 315 and expiry between 11 and 30 years;
- 2 new securities issued by the European Financial Stability Fund for a total nominal value of Euro 150;
- GDP linked securities issued by Greece with a notional value equal to the new exchanged securities (Euro 315) which will produce additional interest if Greek GDP grows beyond a fixed threshold;
- short-term Zero Coupon securities issued by the EFSF to hedge the interest matured and not paid on the old Greek government issues at the date of the agreement.

The plan, which establishes March 8 as the expiry date for the declaration of intent, reports a subscription rate by investors of approx. 95%. The company subscribed for all the securities held and subsequently reduced the exposure to Greek government securities from the restructuring operation, realising a gain of Euro 1,230 thousand.

The most significant amounts by issuer are shown below:

| Issuer - (Euro thousand) | **31/12/2012** | **31/12/2011** |
|---|---|---|
| ITALIAN STATE | 7,287,613 | 5,834,270 |
| INTESA SANPAOLO | 143,829 | 110,296 |
| EFSF SA | 99,172 | - |
| EUROPEAN COMM | 98,206 | - |
| BEI | 86,544 | 5,681 |
| ENEL | 74,967 | 77,136 |
| UNICREDIT | 72,314 | 72,160 |
| KFW | 69,592 | 1,000 |
| ART 6 | 62,988 | - |
| TELECOM SPA | 61,650 | 35,951 |
| DEUTSCHE T IN F | 54,973 | 54,912 |
| ENI SPA | 47,926 | 47,850 |
| GOLDMAN SACHS | 46,776 | 54,907 |
| VEOLIA ENVIRRON | 46,746 | 38,135 |
| ENEL FINANCE IN | 43,626 | 33,884 |
| SPANISH STATE | 43,226 | 62,832 |
| GENERALI FIN BV | 42,714 | 41,212 |
| E.ON INTL FIN B | 41,686 | 51,524 |
| EDF | 37,911 | 37,891 |
| AXA | 35,052 | 31,545 |
| GENERALI SPA | 30,872 | 5,155 |
| HSBC CAP EURO 2 | 28,786 | 27,795 |
| ZURICH FINANCE | 28,723 | 28,452 |
| SIEMENS FIN NV | 28,559 | 28,475 |
| BRITISH TELECOM | 27,407 | 27,148 |
| BANK OF AMERICA | 27,048 | 25,956 |
| FRANCE TELECOM | 26,589 | 26,479 |
| UBI BANCA | 26,173 | 19,784 |
| SANTANDER ISSUA | 25,425 | 25,189 |
| GECC | 25,118 | 24,078 |
| VIVENDI | 24,905 | 18,919 |
| BARCLAYS BANK | 24,446 | 23,796 |
| ALLIANZ FIN II | 24,304 | 23,286 |
| KPN | 22,032 | 33,746 |
| BANCO POPOLARE | 21,478 | 29,215 |
| SNAM | 17,926 | - |
| PROGRAMA CEDULA | 17,902 | 17,259 |
| IRISH STATE | 17,730 | 15,298 |
| FRENCH STATE | 17,684 | 49,164 |
| BNP PARIBAS | 17,679 | 17,677 |
| GLENCORE FIN (E | 17,491 | 10,000 |
| CEZ | 17,484 | 17,443 |
| CDP SPA | 17,455 | 17,686 |
| GAZ CAPITAL SA | 17,289 | 17,289 |
| COMMERZBANK | 17,233 | 17,053 |
| ROYAL BANK SC | 16,878 | 14,169 |
| MORGAN STANLEY | 15,631 | 15,027 |
| DANSKE BANK | 15,584 | 18,752 |
| CARREFOUR | 15,273 | 15,209 |
| Other Issuers | 680,236 | 1,450,598 |
| **Total** | **9,808,851** | **8,651,281** |

At 31/12/2012, the following positions were in the portfolio relating to securities with subordination clauses, for a total book value of Euro 626,154 thousand (Euro 613,357 thousand at 31/12/2011): the write-back recognised to the Income Statement totals Euro 15,290 thousand. The write-downs amount to Euro 10,618 thousand.

The characteristics of the individual positions are reported below:

(in Euro thousands)

| Section | Issuer | Book value | Nominal value | Maturity date | Level of subordination | Interest rate | Advance repayment |
|---|---|---|---|---|---|---|---|
| C.III.3 | ABN AMRO BANK | 2,054 | 2,500 | perpetual | Preferred Stock | 4.31% | 10/03/16 |
| C.III.3 | ALLIANZ FINANCE II BV | 24,304 | 28,500 | perpetual | Upper Tier 2 | 4.375% | 17/02/17 |
| C.III.3 | ALPHA CREDIT GROUP PLC | 5,693 | 11,000 | 01/02/17 | Lower Tier 2 | Euribor 3m+40 | 01/05/13 |
| C.III.3 | ASSURANCE GENERALES DE FRANCE SA | 3,175 | 3,500 | perpetual | Preferred Stock | 4.625% | 10/06/15 |
| C.III.3 | AVIVA PLC | 4,387 | 5,000 | 02/10/23 | Lower Tier 2 | 5.25% | 02/10/13 |
| C.III.3 | AVIVA PLC | 4,422 | 5,000 | perpetual | Preferred Stock | 4.729% | 28/11/14 |
| C.III.3 | AXA | 17,704 | 20,500 | perpetual | Preferred Stock | 5.777% | 06/07/16 |
| C.III.3 | AXA | 17,348 | 18,000 | 16/04/40 | Lower Tier 2 | 5.25% | 16/04/20 |
| C.III.3 | BANCA CARIGE | 3,798 | 4,000 | 07/06/16 | Lower Tier 2 | Euribor 3m+42 | 07/06/13 |
| C.III.3 | BANCA INTERMOBILIARE | 972 | 968 | 29/07/15 | Lower Tier 2 | 1.50% | 29/04/13 |
| C.III.3 | BANCA MONTE DEI PASCHI DI SIENA | 468 | 500 | 30/11/17 | Lower Tier 2 | Euribor 3m+40 | 28/02/13 |
| C.III.3 | BANCA MONTE DEI PASCHI DI SIENA | 4,623 | 5,000 | 31/05/16 | Upper Tier 2 | 4.875% | no call |
| C.III.3 | BANCA POPOLARE DELL'EMILIA | 185 | 200 | 15/05/17 | Lower Tier 2 | Euribor 3m+35 | 15/02/13 |
| C.III.3 | BANCO BILBAO VIZCAYA ARGENTARIA SA | 1,827 | 2,000 | 20/10/19 | Lower Tier 2 | 4.38% | 20/10/14 |
| C.III.3 | BANCO POPOLARE | 4,495 | 5,000 | 28/04/17 | Lower Tier 2 | 4.75% | no call |
| C.III.3 | BANCO POPOLARE | 15,000 | 15,000 | 09/09/16 | Lower Tier 2 | 5.70% | no call |
| C.III.3 | BANCO POPOLARE | 489 | 492 | 31/05/21 | Lower Tier 2 | 6.375% | no call |
| C.III.3 | BANK OF NEW YORK LUX | 13,500 | 30,000 | 15/12/50 | Tier 1 | Euribor 3m+450 | 23/02/16 |
| C.III.3 | BANK OF NEW YORK LUX | 1,039 | 10,000 | 30/12/99 | Tier 1 | Euribor 3m+425 | 16/04/13 |
| C.III.3 | BARCLAYS BANK | 9,697 | 14,000 | perpetual | Tier 1 | 4.75% | 15/03/20 |
| C.III.3 | BARCLAYS BANK | 8,253 | 8,500 | 23/01/18 | Lower Tier 2 | 6.00% | no call |
| C.III.3 | BBVA INTL PREF SA UNIPERSONAL | 2,998 | 3,500 | perpetual | Tier 1 | 4.952% | 20/09/16 |
| C.III.3 | BCA LOMBARDA PST | 7,500 | 7,500 | perpetual | Tier 1 | Euribor 3m+337.5 | 10/03/13 |
| C.III.3 | BNP PARIBAS | 2,888 | 3,000 | 22/01/19 | Lower Tier 2 | 4.375% | 22/01/14 |
| C.III.3 | BNP PARIBAS | 8,641 | 8,750 | perpetual | Tier 1 | 8.667% | 11/09/13 |
| C.III.3 | BNP PARIBAS | 4,959 | 5,000 | 07/09/17 | Lower Tier 2 | 5.431% | No call |
| C.III.3 | BNP PARIBAS CAPITAL TRUST VI | 4,494 | 4,500 | perpetual | Tier 1 | 5.868% | 16/01/13 |
| C.III.3 | BNP PARIBAS FORTIS già FORTIS BANK | 3,338 | 3,500 | perpetual | Tier 1 | 4.63% | 27/10/14 |
| C.III.3 | COMMERZBANK | 7,649 | 8,000 | 13/09/16 | Lower Tier 2 | 4.125% | 13/03/13 |
| C.III.3 | COMMERZBANK | 9,584 | 10,000 | 29/11/17 | Lower Tier 2 | 5.625% | 28/02/13 |
| C.III.3 | COMMERZBANK | 4,798 | 6,000 | perpetual | Tier 1 | 5.351% | 30/06/17 |
| C.III.3 | COMMERZBANK CAP FNDG TRUST I | 8,506 | 10,500 | perpetual | Tier 1 | 5.012% | 12/04/16 |
| C.III.3 | CREDIT AGRICOLE SA | 2,203 | 2,500 | perpetual | Tier 1 | 4.13% | 09/11/15 |
| C.III.3 | CREDITO VALTELLINESE | 497 | 500 | 14/03/15 | Lower Tier 2 | Euribor 3m+47.5 | 14/03/13 |
| C.III.3 | DANSKE BANK | 1,932 | 2,000 | 20/03/16 | Lower Tier 2 | 6.00% | 20/03/13 |
| C.III.3 | DANSKE BANK | 887 | 1,000 | 16/03/18 | Upper Tier 2 | 4.10% | 16/03/15 |
| C.III.3 | DANSKE BANK | 7,766 | 9,000 | perpetual | Tier 1 | 4.875% | 15/05/17 |
| C.III.3 | DEUTSCHE BANK AG | 1,499 | 1,500 | 31/01/13 | Lower Tier 2 | 5.125% | No call |
| C.III.3 | DEUTSCHE CAPITAL TRUST IV | 4,829 | 5,000 | perpetual | Tier 1 | 5.33% | 19/09/13 |
| C.III.3 | DONG ENERGY A/S | 11,708 | 12,500 | perpetual | Preferred Stock | 5.50% | 29/06/15 |
| C.III.3 | ERSTE FINANCE | 61 | 80 | perpetual | Preferred Stock | 5.25% | 23/03/13 |
| C.III.3 | GENERAL ELECTRIC CAPITAL CORPORATION | 25,118 | 30,000 | 15/09/67 | Upper Tier 2 | 5.50% | 15/09/17 |
| C.III.3 | GENERALI FINANCE BV | 4,360 | 5,000 | perpetual | Preferred Stock | 5.479% | 08/02/17 |
| C.III.3 | GENERALI FINANCE BV | 38,354 | 43,000 | perpetual | Preferred Stock | 5.317% | 16/06/16 |
| C.III.3 | GENERALI SPA | 19,406 | 19,500 | 10/07/42 | Lower Tier 2 | 10.125% | 10/07/22 |
| C.III.3 | GENERALI SPA | 8,500 | 8,500 | 12/12/42 | Lower Tier 2 | 7.75% | 12/12/22 |
| C.III.3 | GROUPAMA SA | 12,136 | 22,500 | perpetual | Preferred Stock | 6.298% | 22/10/17 |
| C.III.3 | HSBC CAPITAL FUNDING (EURO 2) LP | 28,786 | 30,000 | perpetual | Tier 1 | 5.3687% | 24/03/14 |
| C.III.3 | HSBC HOLDINGS PLC | 9,991 | 10,000 | 19/03/18 | Lower Tier 2 | 6.25% | No call |
| C.III.3 | ING BANK | 2,785 | 3,000 | 15/03/19 | Lower Tier 2 | 4.625% | 15/03/14 |
| C.III.3 | ING BANK | 8,790 | 9,500 | 29/05/23 | Lower Tier 2 | 6.125% | 29/05/18 |
| C.III.3 | INTESA SANPAOLO SPA | 6,506 | 7,000 | 20/02/18 | Lower Tier 2 | Euribor 3m+25 | 20/02/13 |
| C.III.3 | INTESA SANPAOLO SPA | 29,463 | 30,000 | 28/05/18 | Lower Tier 2 | 5.75% | 28/05/13 |
| C.III.3 | INTESA SANPAOLO SPA | 15,730 | 17,500 | perpetual | Tier 1 | 8.047% | 20/06/18 |
| C.III.3 | INTESA SANPAOLO SPA | 10,000 | 10,000 | perpetual | Tier 1 | 9.50% | 01/06/21 |
| C.III.3 | INTESA SANPAOLO SPA | 5,985 | 6,000 | 16/07/20 | Lower Tier 2 | 5.15% | No call |
| C.III.3 | JP MORGAN CHASE BANK | 1,888 | 2,000 | 29/05/17 | Lower Tier 2 | 4.625% | 29/05/13 |
| C.III.3 | MUFG CAPITAL FINANCE 4 LTD | 6,707 | 8,000 | perpetual | Tier 1 | 2.636% | 25/01/17 |
| C.III.3 | MUNICH | 3,976 | 4,000 | 26/05/42 | Tier 1 | 6.25% | 26/05/22 |
| C.III.3 | NORDEA BANK | 7,543 | 7,500 | 15/02/22 | Lower Tier 2 | 4.625% | 15/02/17 |

(in Euro thousands)

| Section | Issuer | Book value | Nominal value | Maturity date | Level of subordination | Interest rate | Advance repayment |
|---|---|---|---|---|---|---|---|
| C.III.3 | OMV AG | 2,991 | 3,000 | perpetual | Tier 1 | 6.75% | 26/04/18 |
| C.III.3 | PIRAEUS GROUP FINANCE | 1,389 | 3,000 | 20/07/16 | Lower Tier 2 | Euribor 3m+55 | 20/04/13 |
| C.III.3 | PROSECURE FUNDING LP | 4,210 | 5,000 | 30/06/16 | Upper Tier 2 | 4.668% | No call |
| C.III.3 | RBS CAPITAL TRUST A | 3,506 | 5,000 | perpetual | Tier 1 | 6.467% | 30/06/13 |
| C.III.3 | ROYAL BANK SCOTLAND | 3,803 | 4,000 | 22/09/21 | Lower Tier 2 | 4.625% | 22/09/16 |
| C.III.3 | ROYAL BANK SCOTLAND | 5,000 | 5,000 | 09/04/18 | Lower Tier 2 | 6.934% | No call |
| C.III.3 | RWE | 14,474 | 14,500 | perpetual | Preferred Stock | 4.625% | 28/09/15 |
| C.III.3 | SANTANDER ISSUANCES SA UNIPERSONAL | 7,077 | 7,500 | 23/03/17 | Lower Tier 2 | Euribor 3m+25 | 23/03/13 |
| C.III.3 | SANTANDER ISSUANCES SA UNIPERSONAL | 18,348 | 19,000 | 24/10/17 | Lower Tier 2 | Euribor 3m+140 | 24/04/13 |
| C.III.3 | SG CAPITAL TRUST III | 2,875 | 3,000 | perpetual | Tier 1 | 5.419% | 10/11/13 |
| C.III.3 | SIEMENS | 18,013 | 22,000 | 14/09/66 | Preferred Stock | 5.25% | 14/09/16 |
| C.III.3 | SNS BANK | 0 | 2,500 | perpetual | Tier 1 | 5.75% | 22/07/13 |
| C.III.3 | SOCIETE GENERALE SA | 890 | 1,000 | perpetual | Tier 1 | 4.196% | 26/01/15 |
| C.III.3 | STANDARD CHARTERED BANK | 14,036 | 15,000 | 26/09/17 | Lower Tier 2 | 5.875% | No call |
| C.III.3 | UNICREDIT GROUP | 16,976 | 18,000 | 05/06/18 | Upper Tier 2 | 6.70% | No call |
| C.III.3 | UNICREDIT GROUP | 10,081 | 10,500 | 26/09/17 | Lower Tier 2 | 5.75% | No call |
| C.III.3 | UNICREDITO ITALIANO CAPITAL TRUST I | 4,344 | 5,000 | perpetual | Tier 1 | 4.028% | 27/10/15 |
| C.III.3 | ZURICH FINANCE (USA) | 11,947 | 12,500 | 02/10/23 | Lower Tier 2 | 5.75% | 02/10/13 |
| | **Total** | **626,154** | **722,490** | | | | |

## Loans

A breakdown follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Loans with collateral | - | - | - |
| Loans on policies | 19,492 | 22,732 | (3,240) |
| Other loans | 4,522 | 3,880 | 642 |
| **Total** | **24,014** | **26,612** | **(2,598)** |

The “Loans on policies” of life insurance decreased by Euro 3,240 thousand compared to 2011 due to the new loans of Euro 5,447 thousand and repayments of Euro 8,687 thousand.
The account “Other loans” is comprised principally of loans to employees against which no guarantees were provided.

**Deposits at credit institutions**
They increased by Euro 14,751 thousand from Euro 442 thousand in 2011 to Euro 15,193 thousand. The amount includes bank deposits subject to more than 15 days notice period.
Attachment 10 reports changes in the year of loans and deposits at credit institutions.

**Other financial investments**
The account amounts to Euro 2,877 thousand (Euro 174 thousand at 31/12/2011). The net increase of Euro 2,702 thousand compared to the previous year is principally due to valuation gains hedging Unicredit shares.

**Deposits with reinsuring companies**
They decreased by Euro 5,091 thousand, from Euro 51,846 thousand at 31/12/2011 to Euro 46,755 thousand at 31/12/2012: of this Euro 24,085 thousand refers to Milano Assicurazioni.

# FINANCIAL DERIVATIVES

In accordance with ISVAP Regulation No. 36 of 31/01/2012 concerning derivative financial instruments, ISVAP provision No. 297 of 19/07/1996 was repealed and in accordance with attachment 2, section 17 of Regulation 22 of 04/04/2008, in 2012 the Company undertook derivative finance contracts. The activity was undertaken utilising control and monitoring instruments, including preventative instruments, existing within the organisation and in accordance with the framework of the Board resolution of May 14, 2011 which concerns, among others, the Resolutions as per ISVAP Regulation No. 36 concerning guidelines on investments and assets to cover insurance contract liabilities, concerning the utilisation of derivative and structure financial instrument. These instruments are suitable to verify the alignment between the operations undertaken and the strategies agreed, and the efficiency of the hedging operations in accordance with the limits assumed. In addition for each hedging operation, the relative "Hedging Relationship Documentation" was prepared in accordance with the above-mentioned resolution in compliance with international accounting standards.

## Open positions at 31/12/2012 of derivative hedging instruments:

**Put purchases-call sales on equities**

Hedging operations on listed securities through the constitution of a combined option portfolio (put purchase - call sale). These hedged the value of the strategic investments, which on maturity settles the difference or delivers the underlying security.

**Pirelli & C ord. (Non-Life)**

- The number of shares in portfolio subject to hedging comprised 19,867,831 Pirelli & C. ordinary shares, with average strike of the options equal to Euro 8.293. At December 31, 2012 the cash settlement to be received, considering a market price of the underlying equal to Euro 8.6948 amounts to Euro 2,671 thousand.

**Unicredit ord. (Non-Life)**

- The number of shares in portfolio subject to hedging comprised 3,595,302 Unicredit shares, with average strike of the options equal to Euro 4.518. At December 31, 2012 the cash settlement to be received, considering an underlying market price of Euro 3.7247 amounts to Euro 2,852 and was recorded in the income statement under valuation gains in that the underlying shares hedged were valued at market prices.

**Mediobanca (Non-Life)**

- The number of shares in portfolio subject to hedging comprised 3,931,000 Mediobanca shares, with average strike of the options equal to Euro 4.3339. At December 31, 2012 the cash settlement to be paid, considering a market price of the underlying equal to Euro 4.6564 amounts to Euro 1,268 thousand and was recognised to the income statement under valuation losses.

**Mediobanca (Life)**

- The number of shares in portfolio subject to hedging comprised 5,974,500 Mediobanca shares, with average strike of the options equal to Euro 4.4533. At December 31, 2012 the cash settlement to be paid, considering a market price of the underlying equal to Euro 4.6564 amounts to Euro 1,213 thousand and was recognised to the income statement under valuation losses.

## Interest rate swaps

| (in Euro thousands) Notional | Expiry | Counterparty | Fixed rate % | Variable rate | Negative differential recorded in 2012 | Valuation at 31/12/2012 |
|---|---|---|---|---|---|---|
| 200,000 | 07/23/13 | Mediobanca | 3.970 | Euribor 6 m Act/360 | (5,547) | (3,953) |
| 100,000 | 07/23/13 | Mediobanca | 3.990 | Euribor 6 m Act/360 | (2,793) | (1,987) |
| 100,000 | 07/23/13 | Mediobanca | 3.930 | Euribor 6 m Act/360 | (2,733) | (1,954) |
| 150,000 | 07/14/16 | Unicredit Bank | 3.180 | Euribor 6 m Act/360 | (2,946) | (13,908) |
| 100,000 | 12/30/15 | Royal Bank of Scotland | 3.080 | Euribor 6 m Act/360 | (1,785) | (7,797) |
| 100,000 | 07/14/18 | Royal Bank of Scotland | 3.309 | Euribor 6 m Act/360 | (2,093) | (13,360) |
| 150,000 | 07/14/18 | Unione di Banche Svizzere | 2.145 | Euribor 6 m Act/360 | (1,371) | (10,483) |
| **900,000** | | | | | **(19,268)** | **(53,442)** |

In detail:

- Interest Rate Swap with expiry July 23, 2013 made with Mediobanca for a nominal amount of Euro 200,000,000 to hedge the interest risk on part of the subordinated loan agreed in 2002; with this contract the counterparty receives fixed interest of 3.97% paying Euribor 6 months. The negative differential between fixed and variable cash flows for the year 2012 amounts to Euro 5,547 thousand and were recognised under investment charges. At 31/12/2012, the contract had a valuation loss of Euro 3,953 thousand.
- Interest Rate Swap with expiry July 23, 2013 made with Mediobanca for a nominal amount of Euro 100,000,000 to hedge the interest risk on part of the subordinated loan agreed in 2002; with this contract the counterparty receives fixed interest of 3.99% paying Euribor 6 months. The negative differential between fixed and variable cash flows for the year 2012 amounts to Euro 2,793 thousand and were recognised under investment charges. At 31/12/2012, the contract had a valuation loss of Euro 1,987 thousand.
- Interest Rate Swap with expiry July 23, 2013 made with Mediobanca for a nominal amount of Euro 100,000,000 to hedge the interest risk on part of the subordinated loan agreed in 2002; with this latter I.R.S. contract, the subordinated loan of 2002 is entirely covered for the entire Euro 400,000,000. With this contract the counterparty received the fixed rate of 3.93% paying Euribor at 6 months. The negative differential between fixed and variable cash flows for the year 2012 amounts to Euro 2,733 thousand and were recognised under investment charges. At 31/12/2012, the contract had a valuation loss of Euro 1,954 thousand.
- Interest Rate Swap with expiry July 14, 2016 made with Unicredit Bank for a nominal amount of Euro 150,000,000 to hedge the interest risk on the subordinated loan agreed in 2006; with this contract the counterparty receives fixed interest of 3.18% paying Euribor 6 months. The negative differential between fixed and variable cash flows for the year 2012 amounts to Euro 2,946 thousand and were recognised under investment charges. At 31/12/2012, the contract had a valuation loss of Euro 13,908 thousand.
- Interest Rate Swap with expiry December 30, 2015 made with R.B.S. for a nominal amount of Euro 100,000,000 to hedge the interest risk on the subordinated loan agreed in 2005; with this contract the counterparty receives fixed interest of 3.08% paying Euribor 6 months. The negative differential between fixed and variable cash flows for the year 2012 amounts to Euro 1,785 thousand and were recognised under investment charges. At 31/12/2012, the contract had a valuation loss of Euro 7,797 thousand.

- Interest Rate Swap with expiry July 14, 2018 made with R.B.S. for a nominal amount of Euro 100,000 thousand to hedge the interest risk on part of the subordinated loan with a perpetual duration agreed in 2008; with this contract the counterparty receives fixed interest of 3.309% paying Euribor 6 months. The negative differential between fixed and variable cash flows for the year 2012 amounts to Euro 2,093 thousand and were recognised under investment charges. At 31/12/2012, the contract had a valuation loss of Euro 13,360 thousand.
- Interest Rate Swap with expiry July 14, 2018 made with U.B.S. for a nominal amount of Euro 150,000 thousand to hedge the interest risk on the remaining part of the hybrid perpetual subordinated loan agreed in 2008; with this latter I.R.S. contract, the subordinated loan of 2008 is entirely covered for the entire Euro 250,000 thousand. With this contract the counterparty received the fixed rate of 2.145% paying Euribor at 6 months. The differential between fixed and variable cash flows for the year 2012 amounts to Euro 1,371 thousand and were recognised under investment charges. At 31/12/2012, the contract had a valuation loss of Euro 10,483 thousand.

## Open positions at 31/12/2012 of derivative non-hedging instruments:

### Credit Default Swap

(in Euro thousands)

| Notional | Expiry | Counterparty | Issuer hedged | Cost | Premiums in 2012 | Valuation at 31/12/2012 |
|---|---|---|---|---|---|---|
| 5,000 | 02/20/13 | Morgan Stanley | Serbian Republic | 306 bps per year | (155) | (8) |
| 10,000 | 02/20/13 | Morgan Stanley | Serbian Republic | 300 bps per year | (303) | (15) |
| 10,000 | 02/20/13 | Morgan Stanley | Serbian Republic | 285 bps per year | (290) | (13) |
| **25,000** | | | | | **(748)** | **(36)** |

In detail:

- Credit Default Swap on a nominal amount of Euro 5,000 thousand with Morgan Stanley, annual cost 306 bps, with expiry on February 20, 2013 to hedge the issuer risk of the Republic of Serbia. The 2012 premiums amounted to Euro 155 thousand and were recorded under investment charges. At 31/12/2012 the valuation loss was Euro 8 thousand.
- Credit Default Swap on a nominal amount of Euro 10,000 thousand with Morgan Stanley, annual cost 300 bps, with expiry on February 20, 2013 to hedge the issuer risk of the Republic of Serbia. The 2012 premiums amounted to Euro 303 thousand and were recorded under investment charges. At 31/12/2012 the valuation loss was Euro 15 thousand.
- Credit Default Swap on a nominal amount of Euro 10,000 thousand with Morgan Stanley, annual cost 285 bps, with expiry on February 20, 2013 to hedge the issuer risk of the Republic of Serbia. The 2012 premiums amounted to Euro 290 thousand and were recorded under investment charges. At 31/12/2012 the valuation loss was Euro 13 thousand.

### Options on Classs C index-linked securities

- The amount at 31/12/2012 of the options linked to international equity baskets or indices was Euro 24 thousand (at 31/12/2011 Euro 28 thousand); the gains realised in the year on these options amounted to Euro 1 thousand, with the losses realised amounting to Euro 4 thousand; write-downs to market prices amounted to Euro 4 thousand while write-backs amounted to Euro 1 thousand.

At December 31, 2012, Euro 53,950 thousand was paid to the counterparties as collateral of the guarantees on the market losses on all derivatives recorded under other receivables and broken down as follows: Mediobanca Euro 910 thousand, Royal Bank of Scotland Euro 23,910 thousand, Unione di Banche Svizzere Euro 11,470 thousand, Unicredit Euro 14,720 thousand, Banca IMI Euro 1,630 thousand, JP Morgan Euro 1,020 thousand and Morgan Stanley Euro 290 thousand.

## Closed positions at December 31, 2012 on derivative hedging instruments:

### Put purchases-call sales on equities

- Among the hedge operations on equity securities (put purchases - call sales) the following positions were closed:

| (in Euro thousands) | Quantity | Net gains realised on options | Net losses realised on options | Differentials premiums received/paid | Net income and charges realised | Increase/(decrease) in net book value |
|---|---|---|---|---|---|---|
| UNICREDIT (Non-Life): | | | | | | |
| Underlying assets | | | | | - | (464) |
| Options | 1,090,021 | - | - | (13) | - | - |
| PIRELLI & C. ord.(Non-Life): | | | | | | |
| Underlying assets | | | | | | 8,778 |
| Options | 15,981,741 | - | (26,231) | (8,872) | - | - |
| BANCA POPOLARE DI MILANO (Life): | | | | | | |
| Underlying assets | | | | | | - |
| Options | 23,176,040 | 121 | (2,180) | (11) | - | - |
| MEDIOBANCA (Non-Life): | | | | | | |
| Underlying assets | | | | | | (1,226) |
| Options | 3,190,961 | - | (903) | (8) | - | - |
| GENERALI (Non-Life): | | | | | | |
| Underlying assets | 6,590,602 | | | | 4,409 | (5,155) |
| Options | 11,195,364 | - | - | (3,957) | - | |
| GENERALI (Life): | | | | | | |
| Underlying assets | 47,312 | | | | 20 | - |
| Options | 195,252 | 153 | (15) | (25) | | |
| **Impact on carrying value of the underlying** | **-** | **-** | | **-** | **-** | **1,933** |
| **Economic result deriving from sale of the underlying** | **-** | **-** | | **-** | **4,429** | **-** |
| **Economic result deriving from the closure of the options** | **-** | **274** | **(29,329)** | **(12,886)** | **-** | **-** |

In detail:

- Unicredit ord. (Non-Life) – partial reversal of the hedge through the closure of 1,090,021 options. The positive difference between the strike and market price of Euro 464 thousand was recorded as a reduction in the carrying value of the underlying securities, as the shares were not sold. The differences between premiums paid and premiums received were recorded under gains to be realised for Euro 20 thousand and losses to be realised for Euro 33 thousand.
- Pirelli & C. ord. (Non-Life) – partial reversal of the coverage in the first half of 2012 through the closure of 3,426,544 options. The negative difference between the strike and market price of Euro 8,778 was recorded as an increase in the carrying value of the underlying security, as the shares were not sold. Further partial reversal in the second-half of 2012 through the closure of 12,555,197 options. The negative difference between the strike and market price of Euro 26,231 was recorded as losses to be realised, as the shares were not sold. The differences between premiums paid and premiums received during the year were recorded under gains to be realised for Euro 67 thousand and losses to be realised for Euro 8,939 thousand.
- Banca Popolare di Milano (Life) – total reversal of the hedging through the closure of 23,176,040 options, without simultaneous sale of the underlying shares; as the average strike price was lower than the market price, charges of Euro 2,180 thousand were recorded under asset and financial charges (losses realised) and Euro 121 thousand under asset and financial income (gains realised). The negative differentials between premiums paid and premiums received in 2012 amounted to Euro 11 thousand and were recorded under losses to be realised.
- Mediobanca (Non-Life) – partial reversal of the hedge, without the simultaneous sale of the underlying shares, through the closure of 3,190,961 options which resulted in the charge of Euro 903 thousand for the loss positions (average strike price below market price) recorded under financial and asset charges (losses realised), while the gains (average strike price above market price) reduced the carrying value of the underlying securities for Euro 1,226 thousand. The negative differentials between premiums paid and premiums received in 2012 amounted to Euro 8 thousand and were recorded under losses to be realised.
- Generali (Non-Life) – total reversal of the hedge in December 2012 through the sale of 6,590,602 options and simultaneous sale of the shares with the realisation of a gain of Euro 4,828 thousand and a loss of Euro 419 thousand. During the year, there was a partial reversal of the hedge through the closure of 4,604,762 options. The positive difference between the strike and market price of Euro 5,155 thousand was recorded as a reduction in the carrying value of the underlying securities for Euro 5,442 thousand and as an increase in the carrying value of Euro 287 thousand. The underlying shares were not sold. The negative differentials between premiums received and premiums paid in 2012 amounts to Euro 3,957 thousand and was recorded under losses realised for Euro 4,018 thousand and gains realised for Euro 61 thousand.
- Generali (Life) – total reversal of the hedge through the closure of 195,252 options which resulted in income realised of Euro 153 thousand and charges realised of Euro 15 thousand as the average strike price was above the market price. The positive differences between premiums received and premiums paid amounts to Euro 2 thousand and were recorded under gains realised while the negative differential amounts to Euro 27 thousand and was recorded under losses realised. During 2012 the sale of shares hedged amounted to 47,312 with a gain realised of Euro 20 thousand.

## Closed positions at 31/12/2012 of non hedged derivative instruments:

Among the non hedged derivative instruments the following positions were closed:

| (in Euro thousands) | Gains realised | Asset & Financial income | Losses realised | Asset & Financial charges |
|---|---|---|---|---|
| CASH SETTLED BOND FORWARD TRANSACTION | 411 | - | (115) | - |
| SALES CALL | 604 | - | (131) | - |
| PURCHASE CALL | - | - | (102) | - |
| PURCHASE PUT | - | - | (549) | - |
| **Economic result** | **1,015** | **-** | **(897)** | **-** |

In detail:

**Cash settled Bond Forward Transaction**

- Forward sale of VN 10,000,000 Btp 5% 01/03/2022 at 99.36 and simultaneous forward purchase of VN 8,500,000 DBR 2% 04/01/2022 at 101.55 with Mediobanca, expiry 06/06/2012. The advance closure of the contracts before maturity resulted in a gain to be realised of Euro 64 thousand.
- Forward sale of VN 10,000,000 Btp 5% 01/03/2022 at 94.318 and simultaneous forward purchase of VN 7,600,000 DBR 1.75% 04/07/2022 at 99.934 with Credit Suisse, expiry 20/07/2012. The advance closure of the contracts before maturity resulted in a gain to be realised of Euro 302 thousand.
- Forward sale of VN 5,000,000 Bonos 5.85% 31/01/2022 at 104.28 and simultaneous forward purchase of VN 3,935,000 DBR 1.50% 04/09/2022 at 99.50 with Goldman Sachs, expiry 22/10/2012. The advance closure of the contracts before maturity resulted in a gain to be realised of Euro 45 thousand.
- Forward sale of VN 2,500,000 Bonos 5.85% 31/01/2022 at 102.538 and simultaneous forward purchase of VN 1,880,000 DBR 1.50% 04/09/2022 at 100.085 with Goldman Sachs, expiry 25/10/2012. The advance closure of the contracts before maturity resulted in a loss to be realised of Euro 115 thousand.

**Put purchases options on shares**

- Purchases of put options on Mediobanca shares with expiry 21/09/2009; total of 2,500,000, average strike of 2.971. The advanced closure of contracts compared to the maturity date resulted in a loss to be realised of Euro 503 thousand.
- Purchase of put options on the S&P 500 with expiry 20/07/2012; total of 1,650, average strike price USD 1,325.
  The options were revoked at the maturity date and resulted in a loss to be realised of Euro 46 thousand.

**Call purchase options on indices**

- Purchase of call options on the FTSEMIB index, strike 17,000 and on the S&P 500 index, strike USD 1,400. The advanced closure of contracts compared to the maturity date resulted in a loss to be realised of Euro 26 thousand; those revoked resulted in a loss to be realised of Euro 76 thousand.

**Call sales options on shares**

- Call sales options on shares. The options closed in advance of the maturity date resulted in a loss to be realised of Euro 131 thousand and a gain to be realised of Euro 538 thousand; those revoked resulted in a loss to be realised of Euro 66 thousand.

**Put sales options on shares**

- Put sales option on ENEL shares. The options were exercised.

## Non-current investments

ISVAP issued provisions in relation to the classification and valuation of the security portfolio of insurance companies, as enacted by ISVAP Regulation No. 36 of January 31, 2011, in particular in relation to the identification of the principal characteristics, in qualitative and quantitative terms, of the current and non current investment segment.

The assets destined, as per Article 15 of Legislative Decree 173/97, to be held by the company for stable investments are attributed to the segment “Non-current investments”.

They relate to classes B “Intangible assets”, C.I “Land and buildings” and “Financial Instruments" of classes C.II and C.III. The Board of Directors’ meeting resolution of May 14, 2011 redefined the guidelines in order to better stabilise the financial instruments portfolio.

The asset management policy of the Parent Company Fondiaria-SAI is based on a prudent approach and focused on preserving capital solidity and meeting the underwriting commitments to policyholders through the identification of the correct level between the different investment categories that best meet the implicit commitments in the liabilities against the specific capital and financial position.
Particular attention was focused on the macroeconomic situation, on the market trends within the various asset classes and the relative impacts on the combined asset-liability management.

The choice of assets applies the principle of an adequate diversification and disbursement of the assets taken into account limits in relation to structure, composition and risk of the portfolio. These limits are imposed in line with the Group risk tolerance and are indicative of the level of risk which the company is prepared to undertake against each type of asset.

The securities in the “non-current investments” are those held in the company’s assets as “stable investments”, on the condition that they are held in line with the management strategic lines of the Company and its economic and financial performance.

A further condition for a non-current financial instrument is that it must have at least a BBB- rating or equivalent.

The non-current assets represented by securities and investments at 31/12/2012 amounted to Euro 8,452,593 thousand, corresponding to approx. 62.28% of the securities portfolio of the company (classes C.II and C.III) divided as follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Investments and funds | 2,959,646 | 3,856,968 | (897,322) |
| Fixed-income securities | 5,492,947 | 5,640,729 | (147,782) |
| **TOTAL** | **8,452,593** | **9,497,697** | **(1,045,104)** |

In particular, included among the non-current investments are the following investments:

| Company | Book value (in Euro thousands) | Number of shares |
|---|---|---|
| **Investments in subsidiary companies** | **2,663,099** | - |
| **Investments in associated companies** | **23,163** | - |
| **Other companies:** | | |
| Listed | | |
| PIRELLI & C ORD post raggruppamento | 133,189 | 21,032,307 |
| GEMINA ORD | 67,127 | 61,336,588 |
| RCS Mediagroup ORD | 20,209 | 16,430,498 |
| BANCA INTERMOBILIARE | 7,272 | 2,683,400 |
| INDUSTRIA E INNOVAZIONE SPA | 1,066 | 532,800 |
| Total listed companies | 228,863 | - |
| Non-listed | | |
| Alitalia - Compagnia Aerea Italiana S.p.A | 10,404 | 29,589,882 |
| European Institute of Oncology | 10,451 | 10,186,526 |
| Other non-listed | 23,666 | - |
| Total non-listed companies | 44,522 | - |
| **Total other companies** | **273,384** | - |
| **TOTAL** | **2,959,646** | - |

The comparison between the book value of listed securities in the non-current segment and their market value was determined based on the stock market prices at year-end, showing net losses of Euro 424,116 thousand on equity investments and gains of Euro 86,718 thousand on fixed income securities, for total net unrealised losses of Euro 337,398 thousand.

The principal net losses, relating to the investment in the segment, are the following:

**Company**

(in Euro thousands)

| | |
|---|---|
| **Investments in subsidiaries, of which:** | **(471,918)** |
| **Milano Assicurazioni** | **(471,918)** |
| | |
| **Investments in other listed companies** | **47,802** |
| RCS Mediagroup | 496 |
| Banca Intermobiliare | (2,063) |
| Pirelli & C | 49,680 |
| Industria & Innovazione | (311) |
| | |
| **TOTAL** | **(424,116)** |

Overall non-current assets recorded losses in the income statement for Euro 770,013 thousand, relating to investments in listed subsidiaries for Euro 427,742 thousand, investments in non-listed subsidiaries for Euro 263,906 thousand, investments in associated companies for Euro 10,251 thousand, investments in other group companies for Euro 53,448 thousand, investments in listed companies for Euro 4,479 thousand, investments in non-listed companies for Euro 1,280 thousand and subordinated bonds for Euro 8,907 thousand.

Obligatory write-back of values were also recorded of Euro 7,459 thousand, of which Euro 5,790 thousand relating to listed investments and Euro 11,669 concerning convertible bonds.

With reference to **Milano Assicurazioni** the analysis on the recoverable value reported the necessity to recognise a write-down of approx. Euro 427 million, recording a recoverable unitary value of Euro 0.73.
Excluding considerations regarding the control of the investment (taking account therefore that the Stock Market prices result from minority shareholder transactions, and as such, are not representative of the intrinsic value of the investment), a recoverability test on the investment was carried out based on the financial method known as the “Sum of Parts”.
This method calculates the economic value as the sum of the capital values attributed to the various business lines of Milano Assicurazioni (life, non-life and real estate business).

This resulted in the separate valuation of:

- **Non-Life Business:** the DDM excess capital method was used. The cash flows utilised were those of the 2013 budget and the 2014-2015 plan, in addition to projections for the 2016-2017 period on the principal indicators such as premiums, combined ratio and investment income, in order to reflect a normal level of profitability.

- **Life Business:** the Appraisal Value method was utilised, i.e. the sum of the adjusted net equity, the value in force (VIF) and the Goodwill attributable to new future business.

The valuations carried out, utilising also the methods for the impairment test conducted in accordance with IAS 36 for the consolidated financial statements, highlighted a unitary valuation interval between Euro 0.73 and Euro 0.85.

In relation to the investments held in **Gemina** and **RCS** the book value was substantially in line with the market value.

The change in the year of the non-current investments included in the accounts C.III.1, C.II.2, C.III.3 and C.III.7 are shown in attachments 8 and 9.

The movements of financial instruments in the year were as follows:

(in Euro thousands)

| | |
|---|---|
| **Total al 31/12/2011** | **9,497,697** |
| - mergers and acquisitions | 702,250 |
| - capital operations | 4,464 |
| - discounting | 30,147 |
| - sales and mergers | (840,211) |
| - transfers to current portfolio | (179,200) |
| - value adjustments | (762,553) |
| **Total at 31/12/2012** | **8,452,593** |

As already described, at the end of the second-half of 2012, the investments in Intesa SanPaolo, Mediobanca and Unicredit were transferred from the non-current segment to the current segment. The decision results from the Board of Directors' meeting resolution of December 20, 2012 in relation to the commitment taken with the Market Regulator to sell the shareholdings in Intesa SanPaolo, Mediobanca and Unicredit by December 31, 2013.

Subsequent to the transfer the investments were valued in accordance with the criteria for the segment and therefore the lower between the book value and the stock market prices at December 31, 2012; this resulted in the recognition of valuation losses of Euro 39,601 thousand.

## SECTION 3

### INVESTMENTS WHERE RISK IS BORNE BY LIFE POLICYHOLDERS AND PENSION FUND MANAGEMENT – (Account D)

They amount to Euro 425,938 thousand and refer for Euro 185,182 thousand to Investments in class D.I. and for Euro 240,756 thousand to Investments in class D.II. (at 31/12/2011 Euro 396,568 thousand, of which Euro 184,368 thousand referring to class D.I.).

In accordance with Isvap circular No. 360/D of January 21, 1999 transfers were made from class D to class C totalling Euro 346 thousand due to advanced redemptions. During the year no transfers were made between class C and class D.

The following movements in the class D investments are reported below:

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Index-linked | 109,284 | 105,649 | 3,635 |
| Unit-linked | 75,898 | 78,719 | (2,821) |
| Pension funds | 240,756 | 212,200 | 28,556 |
| **TOTAL** | **425,938** | **396,568** | **29,370** |

Attachment 11 and 12 show, separately for each product type, the composition of the investments.

The composition by nature and by segment is shown below, while for further details reference should be made to the specific statement attached to the accounts.

### SAI Open Pension Fund

| (in Euro thousands) | Pen-bond Segment | Pen-Mgt Segment | Pen-mix Segment | Pen-capital segment | Pen-Euro Segment | Pen-global segment |
|---|---|---|---|---|---|---|
| **Management lines** | | | | | | |
| Shares and quotas | - | 1,277 | 10,412 | 401 | 5,560 | 2,748 |
| Bonds and fixed-income securities | 10,989 | 10,189 | 12,047 | 2,300 | 565 | 285 |
| Other assets | 765 | 502 | 503 | 182 | 577 | 424 |
| | **11,754** | **11,968** | **22,962** | **2,883** | **6,702** | **3,457** |

## Fondiaria Previdente Pension fund

| (in Euro thousands) | Equity Segment | Balanced Segment | Bond Segment | Monetary Segment | Guaranteed Segment |
|---|---|---|---|---|---|
| **Management lines** | | | | | |
| Shares and quotas | 43,342 | 14,695 | - | - | 1,092 |
| Bonds and fixed-income securities | 2,925 | 16,196 | 20,070 | 4,253 | 8,762 |
| Other assets | 2,028 | 1,449 | 1,405 | 51 | 184 |
| | **48,295** | **32,340** | **21,476** | **4,304** | **10,038** |

## Conto Previdenza Pension Fund

| (in Euro thousands) | Equity Segment | Balanced Segment | Bond Segment | Guaranteed Segment | Premium TFR Segment |
|---|---|---|---|---|---|
| **Management lines** | | | | | |
| Shares and quotas | 13,411 | 9,338 | - | 2,066 | 121 |
| Bonds and fixed-income securities | 1,272 | 10,164 | 6,789 | 16,535 | 3,008 |
| Other assets | 643 | 760 | 301 | 117 | 51 |
| | **15,327** | **20,262** | **7,091** | **18,718** | **3,180** |

# SECTION 4

## REINSURANCE ASSETS – (Account D bis)

They recorded a total decrease of Euro 74,477 thousand, as illustrated in the table below:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| **NON-LIFE INSURANCE** | | | |
| Unearned premium provision | 49,035 | 50,255 | (1,220) |
| Claims provision | 292,630 | 210,946 | 81,684 |
| **TOTAL** | **341,665** | **261,201** | **80,464** |
| **LIFE INSURANCE** | | | |
| Actuarial provisions | 38,445 | 42,948 | (4,503) |
| Provision for sums to pay | 2,876 | 4,360 | (1,484) |
| **TOTAL** | **41,321** | **47,308** | **(5,987)** |
| **TOTAL** | **382,986** | **308,509** | **74,477** |

The premium provisions of the non-life classes of the reinsurers are analysed for option agreements and excess claims, while for the proportional agreements the same criteria is utilised for the determination of the direct business premium provision.
Other insurance contract liabilities of the Non-Life and Life classes of reinsurers were not recorded in the accounts.

The increase in the claims provisions pertaining to the reinsurers is principally due to the earthquake in Emilia-Romagna in May and June.

# SECTION 5

## RECEIVABLES - (Account E)

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Receivables from direct insurance operations | 936,557 | 1,191,179 | (254,622) |
| Receivables from reinsurance operations | 42,571 | 50,760 | (8,189) |
| Other receivables | 784,971 | 695,078 | 89,893 |
| | **1,764,099** | **1,937,017** | **(172,918))** |

## Receivables from direct insurance operations

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Receivables from policyholders for premiums | 349,511 | 424,412 | (74,901) |
| Insurance brokers | 427,425 | 552,114 | (124,689) |
| Insurance company current accounts | 92,781 | 124,196 | (31,415) |
| Policyholders and others for sums to be recovered | 66,840 | 90,457 | (23,617) |
| | **936,557** | **1,191,179** | **(254,622)** |

Against the total gross amount of Euro 389,667 thousand of receivables from policyholders for premiums (of which Euro 359,171 thousand relating to premiums for the year and Euro 30,496 thousand relating to premiums for previous years), at 31/12/2012 a doubtful debt provision for possible non collection from policyholders of Euro 40,156 thousand was recorded (Euro 12,892 thousand for premiums relating to the current year and Euro 27,264 thousand for premiums relating to previous years).

The breakdown by class of the Doubtful Debt Provision for possible cancellations and non compliance by the policyholders is shown below:

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Accident | 3,214 | 3,006 | 208 |
| Health | 1,627 | 2,649 | (1,022) |
| Land vehicles | 774 | 1,872 | (1,098) |
| Aviation | 4 | 9 | (5) |
| Maritime | 618 | 669 | (51) |
| Goods in transit | 668 | 943 | (275) |
| Fire | 7,312 | 5,981 | 1,331 |
| Property | 4,110 | 3,118 | 992 |
| Motor TPL | 5,684 | 3,086 | 2,598 |
| Aviation TPL | 2 | 11 | (9) |
| Maritime TPL | 7 | 9 | (2) |
| General TPL | 7,062 | 4,154 | 2,908 |
| Credit | - | - | - |
| Bonds | 8,464 | 12,732 | (4,268) |
| Pecuniary losses | 311 | 382 | (71) |
| Legal expenses | 66 | 36 | 30 |
| Assistance | 79 | 46 | 33 |
| **TOTAL NON-LIFE INSURANCE** | **40,002** | **38,703** | **1,299** |
| Life insurance | 154 | 154 | - |
| **TOTAL LIFE INSURANCE** | **154** | **154** | **-** |
| **TOTAL** | **40,156** | **38,857** | **1,299** |

The provision amounted to Euro 18,025 thousand and decreased by Euro 16,726 thousand due to the losses recorded in the year, already subject to previous provisions. The methods utilised to determine the provisions are based on general criteria, separated by Class, which take account, in addition to the ageing of the receivables in portfolio, also of the receipts and losses on receivables in the year.

The receivables from insurance brokers were largely received in January. Against the total gross amount of Euro 488,852 thousand, a prudent provision was made of Euro 61,427 thousand for possible losses on agents and former agents.

The current accounts include the parts related to coinsurance, the Direct Compensation Convention, the payments of claims on behalf of foreign insurance companies and the Road Victim Fund, as well as the receivables for services.

Against the gross amount of Euro 93,031 thousand, a Doubtful Debt Provision was made of Euro 250 thousand.

## Receivables from reinsurance operations

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Insurance and reinsurance companies | 42,406 | 50,599 | (8,193) |
| Reinsurance brokers | 165 | 161 | 4 |
| | **42,571** | **50,760** | **(8,189)** |

The gross value of the receivables deriving from reinsurance operations, amounting to Euro 54,565 thousand, is adjusted prudently by the amount of Euro 11,994 thousand recorded in the Doubtful Debt Provision against the estimate of possible losses from some counterparties.

## Other receivables

The most significant other accounts within “Other Receivables” before the relative doubtful debt provision are shown below:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Tax receivables | 409,200 | 407,359 | 1,841 |
| Group IRES income tax receivables | 43,696 | 20,222 | 23,474 |
| Receivables from subsidiaries | 225,535 | 164,662 | 60,873 |
| Other receivables | 79,589 | 58,701 | 20,888 |
| Customers and rental | 41,187 | 58,907 | (17,720) |
| Doubtful debt provision | (14,235) | (14,773) | 538 |
| **Total** | **784,971** | **695,078** | **89,893** |

The “Other Receivables” amount to Euro 799,206 thousand (Euro 709,851 thousand at 31/12/2011) prudently adjusted for an amount of Euro 14,235 thousand for a Doubtful Debt Provision against possible losses deriving from non collectability of some trade amounts due.

“Other Receivables” include receivables from tax authorities for withholding taxes, payments on account on the actuarial provisions paid in accordance with Legislative Decree 209/2002, the payment on account for the Non-Life insurance taxes pursuant to Legislative Decree 282/2004 and reimbursements requested and related interest totaling Euro 409,200 thousand.

Of these, Euro 124,923 thousand relates to Group Ires income tax credit from the excess in the 2011 balance, of which Euro 100,000 thousand was requested for payment, while Euro 3,809 thousand refers to the receivables from the tax authorities transferred during the year to the Company which, as consolidating company, will settle and pay the Group income tax, in accordance with the consolidated tax regime as per Article 117 and subsequent of Pres. Decree 917/1986.

Tax reimbursements requested of Euro 15,260 thousand relate to requests presented by the Company on behalf of all of the companies within the tax consolidation.

Of these Euro 6,715 thousand refers to higher income taxes paid following the flat rate IRAP deductions of 10% for the tax years 2004 to 2007, pursuant to Article 6 of Legislative Decree 185/2008.

The residual amount of Euro 8,545 thousand refers to the reimbursement requested for higher IRES paid following the deductibility, in accordance with Legislative Decree 16/2012, of the IRAP relating to personnel and similar expenses.

Also in accordance with this tax consolidation, "Other receivables" includes amounts due from subsidiaries in the Group tax consolidation of Euro 43,696 thousand relating to the income tax for the year of these companies transferring the assessable income, of which Euro 25,202 thousand relating to the tax estimate for 2012.

The counter-entry of this amount is recorded in tax provisions, net of the payables to consolidated companies which recorded tax losses in the year and up to the amount of tax savings related to these losses.

The inter-group settlement of the creditor and debtor positions illustrated above will be on the basis of net tax payables existing.

**Receivables from subsidiaries** principally concern receivables for personnel secondment amounting to Euro 159,865 thousand and receivables for dividends, previously approved, to be received from subsidiaries of Euro 46,314 thousand.

**Other receivables** include Euro 53,950 thousand paid to counterparties as collateral of the guarantees on the market losses on all derivatives open (Credit Support Annex), as follows: Royal Bank of Scotland Euro 23,920 thousand, Unicredit Euro 14,720 thousand, Morgan Stanley Euro 290 thousand, JP Morgan Euro 1,020 thousand, Unione di Banche Svizzere Euro 11,470 thousand, Banca IMI Euro 1,630 thousand and Mediobanca Euro 910 thousand.

**Receivables from customers** include the residual receivable from the sale in 2011 and with deferred payment of the building in Rome in the Castel Giubileo area for Euro 14,000 thousand (Euro 37,626 thousand at 31/12/2011).

## Details of the receivables recorded in accounts C and D of the assets by maturity and nature.

The table below was prepared in relation to the previous accounts illustrated under assets and in accordance with section 16 of Legislative Decree No. 173 of May 26, 1997.

| (in Euro thousands) | Receivables from policyholders for premiums | Other receivables from direct insurance operations | Receivables relating to reinsurance balance | Other receivables and loans | Total |
|---|---|---|---|---|---|
| Within 1 year | 349,511 | 423,174 | 89,327 | 654,319 | 1,516,331 |
| Between 1 and 5 years | - | 78,616 | - | 135,174 | 213,790 |
| Over 5 years | - | 85,255 | - | 19,492 | 104,747 |
| **TOTAL** | **349,511** | **587,045** | **89,327** | **808,985** | **1,834,868** |

The receivables due between one and five years consist of Euro 130,880 thousand of receivables from the tax authorities, Euro 4,294 thousand employee loans and Euro 78,616 thousand receivables from agents.
The receivables due over five years refer for Euro 85,255 thousand to receivables from agents and Euro 19,492 thousand to loans provided on policies.

# SECTION 6

## OTHER ASSETS – (Account F)

The breakdown is as follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Fixed assets and inventories | 10,071 | 11,598 | (1,527) |
| Cash and cash equivalents | 254,522 | 459,230 | (204,708) |
| Treasury shares | 30 | 1,982 | (1,952) |
| Other assets | 754,454 | 859,108 | (104,654) |
| **TOTAL** | **1,019,077** | **1,331,918** | **(312,841)** |

## Fixed assets and inventories

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Furniture, EDP and internal transport | 5,599 | 7,054 | (1,455) |
| Tangible assets recorded in public registers | 1 | 4 | (3) |
| Plant and equipment | 351 | 420 | (69) |
| Stocks and other assets | 4,120 | 4,120 | - |
| **TOTAL** | **10,071** | **11,598** | **(1,527)** |

The assets are depreciated as follows:

| (values in %) | 2012 | 2011 |
|---|---|---|
| Furniture, EDP and internal transport | 73.36 | 66.37 |
| Tangible assets recorded in public registers | 96.87 | 93.76 |
| Plant and equipment | 81.84 | 78.53 |

These amounts are considered non-current and the movements in the year were as follows:

| (in Euro thousands) | 2012 | 2011 |
|---|---|---|
| Purchases | 24 | 157 |
| Sales | (20) | - |
| Depreciation provision | (1,531) | (1,637) |
| | **(1,527)** | **(1,480)** |

## Cash and cash equivalents

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Bank and postal deposits | 254,412 | 458,965 | (204,553) |
| Cheques and cash on hand | 110 | 265 | (155) |
| **TOTAL** | **254,522** | **459,230** | **(204,708)** |

The bank and postal deposits include the liquidity available not restricted for a period above 15 days.
In the year, the total amount matured was Euro 3,446 thousand.
Bank deposits amount to Euro 200,155 thousand, relating to 30 current accounts opened at the subsidiary BancaSai S.p.A.

## Treasury shares

In 2012, the company did not carry out any share buy-back operations.
The account decreased by Euro 1,952 thousand exclusively due to the impairment at the end of the year on the shares.
Therefore at 31/12/2012 a total of 32,000 Fondiaria-SAI S.p.A. ordinary shares were held for a carrying value of Euro 30 thousand.
At 31/12/2012, no savings shares were held in portfolio.

## Other assets

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Receivable transitory reinsurance accounts | 2,936 | 3,847 | (911) |
| Other assets | 751,518 | 855,261 | (103,743) |
| | **754,454** | **859,108** | **(104,654)** |

The transitory asset accounts include the negative income values of a technical nature for the direct business and ceded in reinsurance, as the counter-entry of operations recorded in the accounts with the reinsurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result.

The “Other assets” include the “transit account” between the Life and Non-Life management which has a receivable in the Non-Life management of Euro 71 thousand.

The other assets principally include assets calculated applying to the nominal values of the temporary deductible differences to the income tax rates which will be in force when these temporary differences reverse.

For further information on the movements in the year and the underlying factors, reference should be made to the account income taxes.

The amount recorded at year-end amounted to Euro 682,739 thousand and derives from reversals totaling Euro 158,161 thousand and assets arising in the year of Euro 80,796 thousand, of which Euro 7,117 thousand with only equity effect.
Among the reversals are Euro 74,099 thousand of higher taxes recorded in the income statement in the year, while Euro 84,062 thousand refers to the deferred tax assets with only equity effect.
The recording of the deferred tax assets is justified both by the changed recovery profile of the fiscal losses (entry into force of Legislative Decree 98/2011 which sanctioned the unlimited carry forward of fiscal losses) and internal analysis undertaken which, commencing from the 2012-2014 plan, supplemented by further projections for the subsequent years, permits the recording of future accessible income capable of absorbing the losses over a reasonable time period.

The other assets include the estimated amount of the payment due as taxes on the actuarial provisions of the Life classes as per Legislative Decree 209/2002 equal to Euro 24,568 thousand.

The breakdown of the principal "Other assets" is shown below:

| (in Euro thousands) | **31/12/2012** | **31/12/2011** |
|---|---|---|
| Deferred tax assets | 682,739 | 760,105 |
| Head office/regional offices transit accounts | 25,218 | 17,865 |
| Actuarial provision tax as per Leg. Decree No. 209/02 | 24,568 | 18,397 |
| Indemnities paid not applied | 14,446 | 11,885 |
| Doubtful debt provision | (4,297) | (1,708) |
| Other accounts | 355 | 511 |
| Non-Life/Life transit account | 71 | 39,022 |

# SECTION 7

## PREPAYMENTS AND ACCRUED INCOME – (Account G)

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Interest | 147,141 | 137,221 | 9,920 |
| Rental | - | - | - |
| Other prepaid and accrued income | 6,311 | 5,217 | 1,094 |
| | **153,452** | **142,438** | **11,014** |

The composition of prepaids and accrued income are as follows:

| (in Euro thousands) | **Prepaid** | **Accrued income** | **Total** |
|---|---|---|---|
| Interest | 146,141 | 1,000 | 147,141 |
| Rental | - | - | - |
| Other prepaid and accrued income | 3,952 | 2,359 | 6,311 |
| | **150,093** | **3,359** | **153,452** |

There are no long term prepayments or accrued income.

The prepaids for interest relate entirely to debt securities in portfolio.

# BALANCE SHEET – LIABILITIES & EQUITY

## SECTION 8

### SHAREHOLDERS' EQUITY - (Account A)

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Share capital | **1,194,573** | **494,731** | **699,842** |
| Share premium reserve | **730,079** | **331,230** | **398,849** |
| Revaluation reserve | **-** | **200,025** | **(200,025)** |
| Legal reserve | **35,536** | **35,536** | **-** |
| Reserves for treasury shares and shares of holding companies | **2,420** | **4,271** | **(1,851)** |
| Other reserves | **387,449** | **1,205,928** | **(818,479)** |
| | **2,350,057** | **2,271,721** | **78,336** |
| Net result | **(722,724)** | **(1,020,368)** | **297,644** |
| **TOTAL** | **1,627,333** | **1,251,353** | **375,980** |

The share capital, subscribed and fully paid-in, comprises 920,565,922 ordinary shares, 1,276,836 Class A saving shares and 321,762,672 Class B savings shares.
The share capital changed following the subscription of the ordinary and savings shares issued by Fondiaria-SAI in July last.

The share capital and the capital reserves are attributed to the two insurance managements in the following manner (in units of Euro):

| | Life Sector | Non-Life Sector | Total |
|---|---|---|---|
| Share Capital comprising ordinary shares | 296,320,505 | 588,772,893 | 885,093,398 |
| Share capital comprising saving shares | 120,248,828 | 189,230,747 | 309,479,576 |
| *Share capital* | *416,569,333* | *778,003,640* | *1,194,572,974* |
| *Capital reserves* | *531,628,403* | *623,855,422* | *1,155,483,825* |
| **TOTAL** | **948,197,736** | **1,401,859,062** | **2,350,056,799** |

The share premium reserve amounts to Euro 730,079 thousand, following the increase of Euro 398,849 thousand due to the capital increase approved on June 27, 2012.

The revaluation reserve was fully utilised in the year to partially cover the 2011 loss as approved by the Shareholders' Meeting of April 24, 2012.

The reserve for treasury shares and shares of the parent company, amounting to Euro 2,420 thousand, is composed of Euro 30 thousand reserve not available for treasury shares pursuant to Article 2357 of the Civil Code, a value representative of the cost of the treasury shares held in portfolio of the Company at 31/12/2012 (Euro 1,982 thousand in 2011), while the residual amount of approx. Euro 2,390 thousand is equal to the cost of the shares of the parent companies held in portfolio by the Company at the same date (Euro 2,289 thousand in 2011) and in compliance with Article 2359 of the Civil Code.

The non distributable reserve for treasury shares decreased by Euro 1,952 thousand exclusively due to the adjustment recorded at the end of the year on the shares.

The increase of Euro 64 thousand of the reserve of shares of the parent company is due to write-backs at the end of the year on the shares.

The other reserves are broken down as follows:

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Extraordinary reserve | 1,851 | 216,692 | (214,841) |
| Reserve for purchase of treasury shares | 500 | 2,500 | (2,000) |
| Reserve for purchase of holding company's shares | 300 | 500 | (200) |
| Share premium reserve for sale of non exercised option rights | 13 | 4,563 | (4,550) |
| Dividend adjustment reserve | 2,853 | 2,852 | 1 |
| Merger surplus reserve | - | 422 | (422) |
| Reserve as per Law 742/1986 | - | 113,214 | (113,214) |
| Share swap merger surplus/cancellation of shares | 381,932 | 865,185 | (483,253) |
| | **387,449** | **1,205,928** | **(818,479)** |

The extraordinary reserve decreased by Euro 214,805 thousand following the operations described below:

- decrease of Euro 216,692 thousand due to the utilisation resolved by the Shareholders' Meeting of April 24, 2012 to partially cover the 2011 loss;
- increase of Euro 1,952 thousand, with transfer from the non distributable treasury share reserve, due to the adjustment recorded on treasury shares at the year-end;
- decrease of Euro 64 thousand, with transfer from the non-distributable reserve for shares of the parent company, due to the recovery in value of the shares of the parent company at year-end;
- decrease of Euro 500 thousand with transfer to the reserve to purchase treasury shares in accordance with the Shareholders' Meeting resolution of April 24, 2012;
- decrease of Euro 300 thousand with transfer to the reserve to purchase holding company shares in accordance with the Shareholders' Meeting resolution of April 24, 2012;
- the reserve was simultaneously credited for the total amount of Euro 800 thousand as the above-mentioned Shareholders' Meeting revoked the previous resolutions relating to the purchase of treasury shares (Euro 500 thousand) and of the parent company (Euro 300 thousand);
- decrease of Euro 36 thousand for the transfer as per Article 2359 of the Civil Code to the undistributable reserve of shares of the indirect parent company UGF.

The reserve for treasury shares to be purchased decreased by Euro 2 million following the utilisation to cover 2011 losses for Euro 2 million; in addition the above mentioned provision of Euro 500 thousand of April 24, 2012 is recalled and the simultaneous cancellation of the residual previous balance of Euro 500 thousand.

The reserve for purchase of holding company's shares decreased by Euro 200 thousand following the utilisation to cover 2011 losses for Euro 200 thousand, in addition the above-mentioned provision of Euro 300 thousand on April 24, 2012 is recalled and the simultaneous cancellation of the residual previous balance of Euro 300 thousand.

The share premium reserve for sale of non exercised option rights decreased by Euro 4,550 thousand due to the utilisation to cover the 2011 loss for Euro 4,563 thousand and increased by Euro 13 thousand following the sale of the unsubscribed rights.

The share swap merger surplus decreased by Euro 483,253 thousand due to the utilisation approved by the Shareholders' Meeting of April 24, 2012 to partially cover the loss for the year 2011.
In accordance with Article 109, Letter 4 b of the pre-existing Pres. Decree No. 917/1986, currently repealed, it is declared that the available reserves recorded in the accounts are well above the total of the negative income components and that, net of the correlated deferred tax liability provision accrued in previous years, amount to Euro 57,127 thousand.

Finally it is reported, also in accordance with the provisions of Article 2427 of the Civil Code, that the share capital is composed as follows:

| Share capital subscribed, paid-in and filed at 31/12/2012 | Ordinary shares | Savings shares | Total |
|---|---|---|---|
| | **885,093,398** | **309,479,576** | **1,194,572,974** |

## Analysis of net equity in accordance with Article 2427, No. 7 *bis* of the Civil Code

(in Euro thousands)

| Nature/description | Amount | Possibility of Utilisation | Quota available | Quota available 2011 | Utilisation previous three years |
|---|---|---|---|---|---|
| **Share capital** | 1,194,573 | - | - | - | |
| **Capital reserves:** | **1,114,877** | **-** | **911,498** | **1,215,903** | **563,319** |
| Share premium reserve | 730,079 | A,B,C | 526,701 | 267,820 | - |
| Revaluation reserve | - | A,B,C | - | 200,025 | 200,025 |
| Share swap merger surplus/cancellation of shares reserve | 381,932 | A,B,C | 381,931 | 627,006 | 245,074 |
| Reserve as per Law 742/1986 | - | A,B,C | - | 113,214 | 113,214 |
| Merger surplus reserve | - | A,B,C | - | 422 | 442 |
| Share premium reserve for sale of option rights not exercised | 13 | A,B,C | 13 | 4,563 | 4,564 |
| Dividend adjustment reserve | 2, 853 | A,B,C | 2,853 | 2,853 | - |
| **Profit reserves:** | **40,607** | **-** | **2,651** | **457,870** | **1,126,246** |
| Legal reserve | 35, 536 | A,B,C | - | - | - |
| Extraordinary reserve | 1,851 | A,B,C | 1,851 | 216,692 | 869,759 |
| Share swap merger surplus/cancellation of shares reserve | - | A,B,C | - | 238,178 | 254,287 |
| Treasury share repurchase reserve | 30 | - | - | - | - |
| Reserve for holding company's shares | 2,390 | - | - | - | - |
| Reserve for purchase of treasury shares | 500 | A,B,C | 500 | 2,500 | 2,000 |
| Reserve for purchase of holding company's shares | 300 | A,B,C | 300 | 500 | 200 |
| **Total** | **2,350,057** | | **914,149** | **1,673,773** | **1,689,565** |
| Quota not distributable (1) | | | 97,649 | 20,688 | |
| Quota distributable | | | 816,500 | 1,653,085 | |

**Key:**
A: for share capital increase
B: to cover losses
C: for distribution to shareholders
(1): represents the non distributable quota to cover the non amortised charges in accordance with article 16, paragraph 11 of the Legislative Decree 173/1997.

## SUBORDINATED LIABILITIES - (Account B)

This account amounts to Euro 900,000 thousand and remains unchanged compared to the previous year.
This account includes the value of the four subordinated loans agreed with Mediobanca, issued respectively in 2002, 2005, 2006 and 2008: the first three with twenty year expiry while the final is in perpetuity. The table below shows the details of the subordinated liabilities recorded, in accordance with ISVAP Regulation No. 22.

(in Euro thousands)

| 31/12/2012 | 31/12/2011 | Change | Expiry | Variable rate | Spread |
|---|---|---|---|---|---|
| 400,000 | 400,000 | - | 07/23/23 | Euribor 6 m Act/360 | 180 bps |
| 100,000 | 100,000 | - | 12/30/25 | Euribor 6 m Act/360 | 180 bps |
| 150,000 | 150,000 | - | 07/14/26 | Euribor 6 m Act/360 | 180 bps |
| 250,000 | 250,000 | - | perpetual | Euribor 6 m Act/360 | 350 bps |
| **900,000** | **900,000** | **-** | | | |

The solvency margin as per articles 44 and 45 of Legislative Decree No. 209 of September 7, 2005 is covered as follows:

- the subordinated loan of a notional value of Euro 400 million and Euro 250 million respectively, are included in the available margin of the Company for 50% of the lower value between the available margin and the requested margin;
- the subordinated loan of a notional value of Euro 100,000 thousand and Euro 150,000 respectively, are included in the available margin of the Company for 25% of the lower value between the available margin and the requested margin.

In accordance with CONSOB Resolution No. DEM/6064293 of 28/7/2006, the subordinated and/or hybrid loans include specific contractual clauses protecting the lenders' rights and interests.
With regard to the subordinated loan agreement of Euro 300 million of June 22, 2006 (50% subscribed by Fondiaria-SAI S.p.A. and 50% by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) establishes, as a general obligation, the continued control (pursuant to Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A..
In relation to the hybrid loan contract of Euro 250 million of 14/7/2008, the faculty to convert into shares of the Company is subject to, in addition to any resolution by the extraordinary shareholders' meeting of the Company of a share capital increase to service the conversion in line with the contractual terms indicated, the occurrence at the same time (and for a consecutive three year period) of the following situations:

i) the downgrade of the Standard & Poor's rating (or any other agency to which the Company is voluntarily subject, no longer being subject to the Standard & Poor's rating) of the beneficiary companies to "BBB-" or a lower grade;

ii) the reduction of the solvency margin of the beneficiary companies, as defined by Article 44 of the Insurance Code, to a level below or equal to 120% of the required solvency margin as defined by Article 1, paragraph hh) of the Insurance Code, provided that (a) the situation arising from the above-mentioned events are not remedied, for both events, in the subsequent two years, or (b) the solvency margin in the following two fiscal years is not increased to at least 130% of the required solvency margin, with the possibility therefore for Fondiaria-SAI and Milano Assicurazioni to implement, over a period of another two years, measures to enable compliance with the required covenants.

No clauses are in place in the Group loan contracts (other than those indicated above) which place limitations on the use of significant financial resources for the activities of the Company.
The characteristic factors of the subordinated and/or hybrid loans is in general not only that they are to be paid after the repayment of any other debts owed by the borrower on the settlement date, but also the need to obtain prior authorisation for repayment by IVASS.

# SECTION 10

## INSURANCE CONTRACT LIABILITIES – (Account C)

The account decreased, before the quota of the reinsurers, by Euro 536,047 thousand, of which Euro 116,078 thousand for the Non-Life classes and Euro 419,969 thousand for the Life classes, as shown in the table below:

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| **NON-LIFE INSURANCE** | | | |
| Unearned premium provision | 1,303,119 | 1,510,920 | (207,801) |
| Provision for profit sharing and reversals | - | - | - |
| Claims provision | 5,310,794 | 5,220,937 | 89,857 |
| Other technical provisions | 5,437 | 6,333 | (896) |
| Equalisation provisions | 27,864 | 25,102 | 2,762 |
| **TOTAL** | **6,647,214** | **6,763,292** | **(116,078)** |
| **LIFE INSURANCE** | | | |
| Actuarial provisions | 7,437,501 | 7,843,893 | (406,392) |
| Unearned premium provisions for additional insurance | 267 | 240 | 27 |
| Provision for sums to pay | 74,951 | 85,525 | (10,574) |
| Provision for profit sharing and reversals | 2,276 | 1,902 | 374 |
| Other technical provisions | 43,657 | 47,061 | (3,404) |
| **TOTAL** | **7,558,652** | **7,978,621** | **(419,969)** |
| **TOTAL** | **14,205,866** | **14,741,913** | **(536,047)** |

## Non-Life Sector

The premium provision of the direct Italian business is represented by the provision for fraction of premium, in addition to the provision for current risks for Euro 23,764 thousand (Euro 30,380 thousand at December 31, 2011). These additional provisions marginally refer to the Health and Maritime Classes but primarily to the General TPL Class, for which we report that the claims/premium ratio in the current year continues to be above 100%.
During the year the additional provision for insurance damage deriving from the earthquake was utilised, as the amount of the claim costs in the year was above the gross amount of premiums written. The amount utilised was Euro 71,751 thousand.
The charge for expected claims was determined considering a retrospective time period in accordance with Article 11, paragraph 2, of ISVAP Regulation No.16.

The following table shows the breakdown by class of the two components of the premium reserve:

| **Class** | **Direct business** | | | **Indirect business** | |
|---|---|---|---|---|---|
| (in Euro thousands) | **Premium fraction** | **Current risks** | **Total** | **Premium fraction** | **Total** |
| Accident | 85,703 | - | 85,703 | - | - |
| Health | 41,790 | 944 | 42,734 | - | - |
| Land vehicles | 130,185 | - | 130,185 | - | - |
| Railway | 46 | - | 46 | - | - |
| Aviation | 62 | - | 62 | - | - |
| Maritime | 1,170 | 532 | 1,702 | - | - |
| Goods in transit | 1,779 | - | 1,779 | - | - |
| Fire and natural elements | 112,721 | - | 112,721 | 544 | 544 |
| Property | 111,126 | - | 111,126 | 17 | 17 |
| Motor TPL | 601,834 | - | 601,834 | 2 | 2 |
| Aviation TPL | 31 | - | 31 | - | - |
| Maritime TPL | 1,613 | - | 1,613 | - | - |
| General TPL | 114,562 | 22,288 | 136,850 | 591 | 591 |
| Credit | 64 | - | 64 | 13 | 13 |
| Bonds | 57,960 | - | 57,960 | 183 | 183 |
| Pecuniary losses | 3,913 | - | 3,913 | - | - |
| Legal expenses | 2,701 | - | 2,701 | - | - |
| Assistance | 10,744 | - | 10,744 | - | - |
| **Total** | 1,278,004 | 23,764 | 1,301,768 | 1,350 | 1,350 |

In relation to the Bond Class, the provision for fraction of premium was supplemented in accordance with ISVAP Measure No. 1978 of 2001, for a total amount of Euro 30,101 thousand (Euro 29,306 thousand in 2011).

The other insurance contract liabilities of the Non-Life classes only include the ageing provision as per Article 25 of Legislative Decree No. 175/98, equal to Euro 5,437 thousand (Euro 6,333 thousand at 31/12/2011) and calculated using analytical method on the insurance contracts against the health, whose contractual structure provides for an additional risk insured based on the age of the policyholder.

The equalisation provisions are entirely comprised of the provision for natural calamity as per Ministerial Decree No. 705 of November 19, 1996.

The provision amounts to Euro 27,864 thousand and is divided as follows among the classes in the accounts:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Accident | **265** | 263 | **2** |
| Land vehicles | **9,254** | 8,094 | **1,160** |
| Aviation | **107** | 105 | **2** |
| Maritime | **345** | 335 | **10** |
| Goods in transit | **877** | 858 | **19** |
| Fire and natural elements | **16,139** | 14,596 | **1,543** |
| Property | **704** | 684 | **20** |
| Motor TPL | **20** | 20 | **-** |
| Aviation TPL | **4** | 4 | **-** |
| General TPL | **13** | 13 | **-** |
| Credit | **-** | - | **-** |
| Pecuniary losses | **136** | 130 | **6** |
| **Total** | **27,864** | **25,102** | **2,762** |

The claims provisions of the Non-Life classes include, in addition to the indemnity provision, also the settlement provision and the late claim provisions.
The components of the premiums provision and the claims provision are illustrated in Attachment 13.

## Life Sector

The actuarial provision was determined at December 31, 2012 in accordance with the following most significant base techniques:

- composed annual interest rate determined based on the different contractual clauses taking into account minimum guaranteed of 4%, 3%, 2.5%, 2% and 1.5% in accordance with the issue period of the cover;
- demographic assumptions principally based on the Italian mortality statistic tables 1951, 1961, 1971 and 1981, 1992 and 2002 as well as 1971 projected and selected, RG48 and RG48 selected, IPS55 for deferred commitments and IPS55 for immediate commitments.

They include also the additional provision on the financial risk equal to Euro 39,197 thousand, as indicated in ISVAP Regulation No. 21 of 28/03/2008.
The various components of the technical provision are shown in Attachment 14.

The details by class of the “Other technical provisions” are shown below of the Life Division, which principally comprises the provision for future expenses.

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Class I | 32,737 | 34,996 | (2,259) |
| Class III | 721 | 1,333 | (612) |
| Class IV | 34 | 61 | (27) |
| Class V | 10,165 | 10,671 | (506) |
| Class VI | - | - | - |
| **Total** | **43,657** | **47,061** | **(3,404)** |

## SECTION 11

### CHANGE IN TECHNICAL PROVISIONS WHERE INVESTMENT RISK BORNE BY POLICYHOLDERS AND FROM PENSION FUND MANAGEMENT - (Account D)

These amount to Euro 425,856 thousand and increased by Euro 29,389 thousand. They are representative of the commitments deriving from the insurance of the Life Division whose returns are determined based on the investments on which the policyholder bears the risk or based on an index, as well as the commitments deriving from the management of the pension funds.

The breakdown of the provision by type of product in portfolio:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| - related to the value of an investment fund | 75,816 | 78,618 | (2,802) |
| - related to the value of an equity index or other benchmark. | 109,284 | 105,649 | 3,635 |
| - open pension funds | 240,756 | 212,200 | 28,556 |
| **TOTAL** | **425,856** | **396,467** | **29,389** |

With regard to the open Pension Funds, the figure above is broken down as follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| **SAP Open Pension Fund:** | | | |
| - Pension-bond | 11,754 | 9,583 | 2,171 |
| - Pension-Mgt | 11,968 | 10,399 | 1,569 |
| - Pension-mix | 22,962 | 21,442 | 1,520 |
| - Pensioni-Europe | 6,701 | 5,384 | 1,317 |
| - Pension-global | 3,457 | 2,802 | 655 |
| - Pension-capital | 2,883 | 2,462 | 421 |
| **Previdente Open Pension Fund:** | | | |
| - equity line | 48,295 | 43,698 | 4,597 |
| - balanced line | 32,340 | 29,572 | 2,768 |
| - bond line | 21,476 | 18,509 | 2,967 |
| - cash line | 4,304 | 4,200 | 104 |
| - guaranteed cash line | 10,038 | 8,854 | 1,184 |
| **Previdenza Open Pension Fund:** | | | |
| - equity line | 15,327 | 12,966 | 2,361 |
| - balanced line | 20,262 | 16,871 | 3,391 |
| - bond line | 7,091 | 6,179 | 912 |
| - guaranteed cash line | 18,718 | 16,811 | 1,907 |
| - premium TFR line | 3,180 | 2,468 | 712 |
| **TOTAL** | **240,756** | **212,200** | **28,556** |

## SECTION 12

### PROVISIONS FOR RISKS AND CHARGES – (Account E)

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Pensions and similar obligations | 9,913 | 3,365 | 6,548 |
| Tax provisions | 100,171 | 52,905 | 47,266 |
| Other provisions | 204,654 | 247,310 | (42,656) |
| **TOTAL** | **314,738** | **303,580** | **11,158** |

Attachment 15 shows the changes in the year.
The provisions for pensions and similar obligations includes the pensions by the company in previous years as a supplement to the employee leaving indemnity. From the current year the provision also includes the service bonus provision in accordance with Article 30 of the National Collective Bargaining Agreement (NCBA) for Employees, previously recorded in the account "other provisions".

The other provisions are broken down as follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Provision for risks and charges | 204,654 | 236,694 | (32,040) |
| Provision as per art. 7 Law 738/78 | - | 5,154 | (5,154) |
| Service bonus as per Art..30 NCBA | - | 5,462 | (5,462) |
| **TOTAL** | **204,654** | **247,310** | **(42,656)** |

**a) Provision for risks and charges**

The provision decreased compared to the previous year by Euro 32,040 thousand due to the provisions of Euro 66,984 thousand, utilisations of Euro 84,905 thousand and reclassifications of Euro 14,119 thousand.
The total provision is adequate with respect to the estimated charges consequent of the total legal disputes to which the Parent Company is party.

The Provision also includes the tax saving which originated in the Company following the contribution of the tax losses of some subsidiaries within the national tax consolidation which, prudently did not record the relative tax advantage.

The provision includes, prudently, the estimated charges, where incurred, against the disputes for the so called "Opa" offer which the Company, together with other parties, is defending due to the actions taken by some shareholders of the incorporated company Fondiaria Assicurazioni. It is reported that some sentences of the Milan Appeals Court and the Florence Court have rejected the claims for damages.
The Court of Cassation itself passed three judgments in which the decisions of the Milan Court of Appeal were reversed, sending back the cases for reconsideration under a changed composition of sitting judges.

With reference to the change in the provision, it should be noted that Euro 41 million was utilised, provisioned in 2011, against the planned rescheduling of the leases on the property owned by the Company and its subsidiaries related to the lease agreements with the subsidiary Atahotels. This utilisation is set-off against the write-down of property and real estate investments following the lower rent considered sustainable for the operator by a property expert.
It is reasonable to expect that the new rental agreement will be completed in the first part of 2013 with retrospective effect to January 1.

The other changes, decreasing by Euro 14,119 thousand, are due to the reclassification in the current year of future charges for vacation days not taken by employees and tax disputes in the accounts other liabilities and tax provisions respectively.

The movement in the provision during the year is reported in the appropriate section in the income statement on other income and charges.

**b) Service bonus provision pursuant to Art. 30 of the NCBA**
The provision was reclassified to the account pension and similar obligations.

## COMPOSITION OF THE SUB-ACCOUNT – E 2) – "PROVISIONS FOR TAXES"

The provision for taxes includes the provision for corporation income taxes (IRES income taxes and IRAP regional taxes) for the year. The account also includes the substitute taxes of the IRES income taxes and the IRAP regional tax estimated at the end of the year.
The current income taxes are recorded as a provision as the amounts are still not certain and which will be payable to the tax authorities following the individual and consolidated tax declarations to be made.

The provisions for taxes also includes the liability for deferred taxes deriving from the temporary differences arising in the year and previous years, net of those reversed in the year, the income taxes accrued on the allocation of the merger surplus against the gains, not recognised fiscally, allocated to the buildings and investments and the income taxes accrued in previous years against amortisation and adjustments to values only for fiscal purposes.
In addition, compared to the previous year, it was decided to allocate to tax provisions and no longer the general risk provision, amounts prudently provisioned against possible charges, in terms of higher taxes, interest and penalties, for disputes with the Tax Authorities.
The composition of the balance is as follows:

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Provision for current taxation | 37,992 | 7,165 | 30,827 |
| Provision for deferred tax liabilities | 44,709 | 45,740 | (1,031) |
| Provision for risks on tax disputes | 17,470 | 2,200 | 15,270 |
| **TOTAL** | **100,171** | **55,105** | **45,066** |

The changes in the year were as follows:

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Provision for current taxation: | | | |
| Utilisation and other decreases | - | (37,860) | 37,860 |
| Provisions | 30,827 | - | 30,827 |
| Provision for deferred tax liabilities: | | | |
| Utilisation and other decreases | (1,077) | (1,211) | 134 |
| Provisions | 46 | 976 | (930) |
| Provision for risks on tax disputes | | | |
| Utilisation and other decreases | - | - | - |
| Provisions | 15,270 | - | 15,270 |
| **TOTAL** | **45,066** | **(38,095)** | **83,161** |

The provision for current taxation refers only to IRES and IRAP income and regional taxes for the current year. Of this amount Euro 6,480 thousand refers to the estimated IRAP charge of the company. The residual Euro 24,347 thousand refers to the estimated IRES corporate tax for the year 2012 for all of the companies within the Group tax consolidation, of which Euro 4,749 thousand payable by the parent company Fondiaria-SAI.
The increase, compared to the provision at the end of the previous year, of the tax provision is due to the prudent estimate of the charges from possible assessments, relating in particular to the tax years 2008 and 2009.
In relation to the deferred tax, the change compared to the beginning of the year is detailed in the account "Income taxes" - to which reference should be made.

## DEPOSITS RECEIVED FROM REINSURERS – (Account F)

The account amounted to Euro 86,067 thousand and decreased by Euro 7,858 thousand (Euro 93,925 thousand in 2011).

# SECTION 13

## PAYABLES AND OTHER LIABILITIES – (Account G)

These are broken down as follows:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Payables from direct insurance operations | 26,850 | 26,341 | 509 |
| Payables from reinsurance operations | 38,403 | 35,498 | 2,905 |
| Various loans and other financial payables | 245,581 | 245,193 | 388 |
| Staff termination pay | 32,398 | 35,004 | (2,606) |
| Other payables | 491,635 | 570,345 | (78,710) |
| Other liabilities | 174,685 | 222,211 | (47,526) |
| **TOTAL** | **1,009,552** | **1,134,592** | **(125,040)** |

## Payables from direct insurance operations

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Insurance brokers | 15,273 | 13,067 | 2,206 |
| Insurance company current accounts | 3,450 | 9,771 | (6,321) |
| Policyholders for deposits and premiums | 7,977 | 74 | 7,903 |
| Policyholder guarantee provisions | 150 | 3,429 | (3,279) |
| **TOTAL** | **26,850** | **26,341** | **509** |

The account "Policyholders for deposits and premiums" includes advanced payments of premiums of Euro 7,959 thousand. The guarantee provisions include Euro 144 thousand of payables to the Victims Fund and Euro 6 thousand to the Homes Solidarity Provision.

## Payables from reinsurance operations

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Insurance and reinsurance companies | 37,584 | 34,679 | 2,905 |
| Reinsurance brokers | 819 | 819 | - |
| **TOTAL** | **38,403** | **35,498** | **2,905** |

## Various loans and other financial payables

These amount to Euro 245.6 million (Euro 245.2 at 31/12/2011) and are broken down as follows:

| (Amounts in Euro millions) | Amount | Expiry | Payment method | Interest rate |
|---|---|---|---|---|
| **SAIFIN SAIFINANZIARIA S.p.A.** | 157.0 | Without maturity- | One payment or single tranches with notice of at least 7 days compared to the value date | EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%. |
| **SAINTERNATIONAL S.A.** | 5.0 | Without maturity- | One payment or single tranches with notice of at least 7 days compared to the value date | EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%. |
| **SIM ETOILE S.A.** | 15.0 | Without maturity - | One payment or single tranches with notice of at least 7 working days before the value date | EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%. |
| **FONDIARIA- NEDERLAND B.V.** | 66.1 | Without maturity- | One payment or single tranches with notice of at least 7 days compared to the value date | EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%. |

Inter-company financial payables have not changed compared to the previous year. The residual liability of Euro 2.5 million refers to the negative differential recorded in the income statement against the valuation of the hedging derivatives on Mediobanca shares.

## Staff termination pay

The account amounted to Euro 32,398 thousand (Euro 35,004 thousand in 2011).
The change is due to provisions and other increases for Euro 11,522 thousand (Euro 11,279 thousand in 2011) and the relative utilisation of the provision for Euro 14,129 thousand (Euro 15,646 thousand in 2011), which includes the quota matured in 2011 allocated to the special INPS fund or to the Complementary Pension.

## Other payables

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Policyholders' tax due | 65,565 | 72,714 | (7,149) |
| Other taxes due | 79,892 | 84,162 | (4,270) |
| Social security and welfare institutions | 7,093 | 10,333 | (3,240) |
| Other payables | 339,085 | 403,136 | (64,051) |
| **TOTAL** | **491,635** | **570,345** | **(78,710)** |

The "Policyholders' tax due" includes the tax payable on insurance policies for Euro 48,348 thousand and Euro 17,188 thousand for Social Security Contributions.
The other taxes due concern, among others, Euro 24,568 thousand relating to the payment on account of the life actuarial provision pursuant to Article 1, paragraph 2 and 2 *bis* of Legislative Decree 209/2002 (converted by Law 262/2002) and Euro 10,805 thousand concerning the outstanding installments on substitute taxes on gains following the conferment of properties to the Rho Fund in 2009 and Euro 28,612 thousand relating to the payment installments due following the agreed settlement procedure with the Tax Authorities following the audit for the periods 2005 and between 2006 and 2008. In relation to this settlement and to the full provision of the charge in the financial statements, reference should be made to the 2011 financial statements.

Various payables include, among others, the following accounts:

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Payables for tax credits transferred to the Group | 146,713 | 196,467 | (49,754) |
| Trade payables | 169,585 | 147,902 | 21,683 |
| Other payables to subsidiaries | 8,341 | 25,636 | (17,295) |
| Settlements not collected by policyholders | 3,638 | 3,704 | (66) |
| Guarantee deposits | 2,208 | 2,704 | (496) |
| Payables to shareholders for dividends | 102 | 147 | (45) |
| Employees | 85 | 626 | (541) |

The payables for tax credits transferred to the Group includes the amount of the receivables from the tax authorities for withholdings, payments on account, excess and other receivables transferred by the consolidated companies to the consolidating due to the Group tax regime as per Article 117 and subsequent of Pres. Decree 917/1986. The account also includes the tax savings related to the transfer of losses by some consolidated companies already utilised to offset income transferred to the Group or against which Fondiaria-SAI, as consolidating company, assumed the charge relating to their fiscal recognition in accordance with the consolidation contract agreed.
Other payables to subsidiaries include Euro 142,904 thousand of payables for Group IRES income tax, of which Euro 50,754 thousand relating to payables to Milano Assicurazioni for IRES income tax, and related interest, requested for reimbursement and Euro 7,691 thousand for payables of IRES income tax repayment as per Legislative Decree 185/2008 and Legislative Decree 16/2012.

Trade payables, including rent and other expenses, totaling Euro 169,585 thousand, include payables of Euro 137,170 thousand to the consortium Fondiaria-SAI Servizi Group for the settlement of the consortium contribution due, following the centralisation of all the Group services within the consortium, amounting to Euro 137,170 thousand.

## The details of the payables by maturity and nature are as follows

The table below was prepared in relation to the previous accounts illustrated under liabilities and in accordance with section 16 of Legislative Decree No. 173 of May 26, 1997.

| (in Euro thousands) | **Payables from direct insurance operations and reinsurance** | **Deposits received from reinsurers** | **Payables with collateral** | **Various loans and other financial payables** | **Employee Leaving Indemnity and other payables** | **Total** |
|---|---|---|---|---|---|---|
| Within 1 year | 65,253 | 86,067 | - | 245,581 | 451,459 | 848,360 |
| Between 1 and 5 years | - | - | - | - | 72,573 | 72,573 |
| Over 5 years | - | - | - | - | - | - |
| **Total** | **65,253** | **86,067** | **-** | **245,581** | **524,032** | **920,933** |

## Other liabilities

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Payable transitory reinsurance accounts | 2,704 | 3,537 | (833) |
| Commissions on premium collection | 55,913 | 57,650 | (1,737) |
| Other liabilities | 116,068 | 161,024 | (44,956) |
| **Total** | **174,685** | **222,211** | **(47,526)** |

The transitory reinsurance accounts include the positive income values of a technical nature for the indirect business, as the counter-entry of operations recorded in the accounts with the reinsurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result.

The breakdown of the principal “other liabilities” is shown below:

| (in Euro thousands) | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Estimated accruals | 56,405 | 41,291 |
| Payables to reinsurers | 15,295 | 6,921 |
| Payables to agencies | 6,094 | 1,121 |
| Insurance transitory payments | 5,997 | 7,165 |
| Claim payments due | 4,983 | 34,385 |
| Pension fund units to be allocated | 1,812 | 6,044 |
| Transitory life payments | 1,717 | 1,468 |
| Bank transit account | 141 | 198 |
| Non-Life/Life transit account | 71 | 39,022 |

# SECTION 14

## ACCRUALS AND DEFERRED INCOME – (Account H)

| (in Euro thousands) | 31/12/2012 | 31/12/2011 | Change |
|---|---|---|---|
| Interest | 25,591 | 27,211 | (1,620) |
| Rental | 10 | 530 | (520) |
| Other accruals and deferred income income | 13 | 13 | - |
| **Total** | **25,614** | **27,754** | **(2,140)** |

Relating to the year 2012, the breakdown of the accruals and deferred income is as follows:

| (in Euro thousands) | Deferred income | Accruals | Total |
|---|---|---|---|
| Interest | 25,591 | - | 25,591 |
| Rental | - | 10 | 10 |
| Other accruals and deferred income | 13 | - | 13 |
| | **25,604** | **10** | **25,614** |

The deferred income for interest refers to the quota allocated for the year of the explicit financial charge on the subordinated loan for Euro 11,692 thousand, on interest-bearing loans to subsidiaries for Euro 4,332 thousand and charges on derivatives for Euro 9,567 thousand.

# SECTION 17

## Guarantees, Commitments and other Memorandum Accounts

The account amounts to Euro 14,141,530 thousand (Euro 14,220,178 thousand at 31/12/2011).

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Guarantees given | 18,227 | 4,254 | 13,973 |
| Guarantees received | 196,580 | 222,062 | (25,482) |
| Guarantees provided by third parties on behalf of the company | 49,053 | 48,495 | 558 |
| Commitments | 21,236 | 58,420 | (37,184) |
| Third party assets | 9,351 | 9,101 | 250 |
| Securities deposited with third parties | 12,916,367 | 12,950,268 | (33,901) |
| Other memorandum accounts | 930,716 | 927,578 | 3,138 |
| **Total** | **14,141,530** | **14,220,178** | **(78,648)** |

The guarantees given include:

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Other non-secured guarantees | - | - | - |
| Secured guarantees | 18,227 | 4,254 | 13,973 |
| | **18,227** | **4,254** | **13,973** |

The secured guarantees refer to assets constituted as guarantees in deposit of inward reinsurance operations prevalently in foreign currencies and liens provided on bank credit lines.

The guarantees received include:

| (in Euro thousands) | **31/12/2012** | **31/12/2011** | **Change** |
|---|---|---|---|
| Sureties | 191,396 | 216,609 | (25,213) |
| Other non-secured guarantees | 2,284 | 2,553 | (269) |
| Secured guarantees | 2,900 | 2,900 | - |
| | **196,580** | **222,062** | **(25,482)** |

Among the guarantees received are sureties of Euro 70,099 thousand (Euro 71,646 thousand at 31/12/2011) from policies guaranteeing commitments undertaken with agents.

The sureties given amount to Euro 3,613 thousand, while those received from third parties amounted to Euro 122,361 thousand.

Of the secured guarantees Euro 2,900 thousand relates to a voluntary mortgage on some buildings to guarantee operations related to the construction sector.

The guarantees given by third parties amounted to Euro 49,053 thousand, principally comprising those created by the surety based on the Convention between Insurers for the Direct Compensation (CARD) amounting to Euro 40,255 thousand, to which Fondiaria-SAI subscribed on 27/11/2006.

Commitments include Euro 2,481 thousand against the cash settlement to be paid relating to hedge operations made through combined options (put purchase – call sale) on Mediobanca shares.
They also include Euro 6,000 thousand for the recapitalisation of the subsidiary Centro Oncologico Fiorentino and Euro 12,750 thousand for the capitalisation of the subsidiary Atahotels.

Third party assets include deposits for maximum coverage, on claims, as well as the Fondiaria-SAI ordinary and saving shares owned by employees (these latter held by the Company).

The securities deposited at third parties include the carrying value of the securities owned by the company. The principal depositaries are credit institutions for Euro 11,590,248 thousand, subsidiary companies for Euro 905,708 thousand, associated companies for Euro 23,163 thousand, other investments for Euro 67,054 thousand and other depositary entities for Euro 330,194 thousand.

The Other Memorandum Accounts which amount to Euro 930,716 thousand principally relates to the underlying notional derivative financial operations and specifically: Euro 25 million relating to Credit Default Swap contracts with Morgan Stanley on the Serbian country risk, Euro 400,000 thousand relating to Interest Rate Swap contracts with Mediobanca, Euro 150,000 thousand relating to Interest Rate Swap contracts with Unicredit Bank, Euro 200,000 thousand relating to Interest Rate Swap contracts with Royal Bank of Scotland, Euro 150,000 thousand relating to Interest Rate Swap contracts with Unione di Banche Svizzere, Euro 2,852 thousand relating to cash settlements to be received on hedges through combined options (purchase put – sell call) on shares of Unicredit and Euro 2,671 thousand relating to cash settlements to be received on hedge operations through combined options (purchase put – sell call) on Pirelli & C. ord. shares.

# INCOME STATEMENT

The income statement for the year compared to the previous years accounts are commented upon below.

Where the accounts for the previous year are not compatible with those of the current year the necessary adjustments were made. Where not comparable, any adjustments or the impossibility to make adjustments are in any case included in the comments to the individual accounts.

## SECTION 18

### INFORMATION CONCERNING THE NON-LIFE TECHNICAL ACCOUNT

### EARNED PREMIUMS NET OF REINSURANCE – (ACCOUNT I.1)

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---:|---:|---:|
| Direct premiums | 3,467,875 | 3,788,708 | (320,833) |
| Indirect premiums | 6,006 | 7,253 | (1,247) |
| **Gross premiums written** | **3,473,881** | **3,795,961** | **(322,080)** |
| Premiums ceded to reinsurers | (156,869) | (131,235) | (25,634) |
| Change in gross amount of premium provision | 207,784 | 4,125 | 203,659 |
| Change in reinsurers provision | 2,108 | 1,145 | 963 |
| **Total Non-Life premiums written** | **3,526,904** | **3,669,996** | **(143,092)** |

The account “gross premiums written”, in accordance with ISVAP regulation No. 735 of 01/12/1998 does not include the cancellation of securities issued in previous years, which were recorded in the account “Other technical charges”.

The account “changes in the gross amount of premium provision” includes Euro 201,095 thousand relating to the positive change in the provision for premium fractions which were commented upon under Liabilities of the Balance Sheet. The increase of the provision for risks in course amounts to Euro 6,616 thousand.

### QUOTA OF THE INVESTMENT INCOME TRANSFERRED FROM THE NON TECHNICAL ACCOUNT – (ACCOUNT I.2)

No transfers were made from the non-technical account in that, as established by ISVAP Provision No. 22, Article 22, net of financial charges recorded in the non-technical account an overall investment charge was recorded.

## OTHER TECHNICAL INCOME, NET OF REINSURANCE – (ACCOUNT I.3)

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---|---|---|
| Other technical income before reinsurance | 27,834 | 20,731 | 7,103 |
| Other technical income ceded | 8,686 | 4,309 | 4,377 |
| | **36,520** | **25,040** | **11,480** |

The other technical income amounts to Euro 36,520 thousand and includes Euro 10,506 thousand of commission recoveries on the cancellation of premiums issued in previous years and Euro 16,726 thousand relating to the utilisation of the doubtful debt provision for premiums.

## CLAIMS INCURRED NET OF RECOVERIES AND REINSURANCE – (ACCOUNT I.4)

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---|---|---|
| Gross amounts paid | (2,802,503) | (2,888,624) | 86,121 |
| Reinsurers' share | 62,256 | 49,948 | 12,308 |
| Change in gross recoveries | 88,658 | 123,396 | (34,738) |
| Reinsurers' share | - | - | - |
| Change in outstanding claims provision | (87,094) | (486,477) | 399,383 |
| Reinsurers' share | 82,189 | 6,250 | 75,939 |
| | **(2,656,494)** | **(3,195,507)** | **539,013** |

The gross amounts paid include:

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---|---|---|
| Claims paid on current year policies | (884,316) | (1,003,584) | 119,268 |
| Claims paid on previous year policies | (1,605,689) | (1,584,509) | (21,180) |
| Contribution to the Road Victims' Fund | (46,427) | (50,327) | 3,900 |
| Direct and settlement expenses | (266,071) | (250,204) | (15,867) |
| | **(2,802,503)** | **(2,888,624)** | **86,121** |

The change of the gross recoveries includes Euro 48,296 thousand of recoveries in the year and Euro 40,362 thousand for reconciliation on previous years. The increase on the previous year follows the increased effective recoveries recorded in the Motor TPL Class.

The changes in the gross amount of the claims provision are as follows:

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Provision at beginning of the year | 5,220,937 | 4,729,816 | 491,121 |
| Exchange rate effect | (420) | 877 | (1,297) |
| Provision for the year | (1,499,200) | (1,595,176) | 95,976 |
| Provision for previous years | (3,811,594) | (3,625,761) | (185,833) |
| Movements in portfolio | 3,183 | 3,767 | (584) |
| | **(87,094)** | **(486,477)** | **399,383** |

In relation to the direct business, the provision at the beginning of the year, recorded a negative adjustment of approx. Euro 325 million, as shown in the table below:

| (in Euro thousands) | 2012 | 2011 |
|---|---|---|
| Existing claims provision at beginning of year | 5,115,592 | 4,630,279 |
| Indemnities paid during the year, net of recoveries | 1,723,220 | 1,654,682 |
| Claims provision at the end of the year | 3,717,148 | 3,520,866 |
| **Difference** | **(324,776)** | **(545,269)** |

Within the reconciliation of the claims of previous years the most significant deficiencies relate to the Motor TPL classes (Euro 285,125 thousand) and the General TPL Class (Euro 113,135 thousand).

The negative reversal principally relates to the Motor TPL and General TPL classes and derives both from the more aggressive settlement policy and more prudent valuations made by the loss adjustor's network.
The rescue operation of the parent company Fondiaria SAI, the change in ownership and in general the transition period however had an immediate and direct impact on the loss adjustor's network from the beginning of the year, consolidating the practices which were already implemented during the past year.
During 2012 the activities of the loss adjustor's network therefore saw a major change from the past with a more aggressive policy in the management of claims with the objective of not allowing cases to drag on for long periods whose costs increase if not closed completely and promptly. In particular there was greater recourse to partial payments and a more aggressive policy on the more serious claims.
On the revision of the prior year claims provisions the loss adjustor's also undertook significant revaluations utilising greater prudence.

## CHANGE IN OTHER TECHNICAL PROVISIONS NET OF REINSURANCE – (ACCOUNT I.5)

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Provision for old age | (896) | (1,287) | 391 |

The decrease is attributable to the ageing provision as per Article 25 of Legislative Decree 175/1995, determined in accordance with the analytical criteria contained in Article 25, paragraph 3 of this Decree.

## OPERATING EXPENSES – (ACCOUNT I.7)

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Acquisition commissions | (469,760) | (575,096) | 105,336 |
| Other acquisition expenses | (102,666) | (99,259) | (3,407) |
| Change in commissions and other acq. expenses to amort. | 17,263 | - | 17,263 |
| Collection commissions | (82,705) | (12,535) | (70,170) |
| Other administration expenses | (149,585) | (157,250) | 7,665 |
| Commissions and profit participation received from reinsurers | 38,322 | 32,343 | 5,979 |
| | **(749,131)** | **(811,797)** | **62,666** |

The acquisition commissions include long-term acquisition commissions of Euro 25,895 thousand.
For a better representation of the relevant accounting principle, the company considered it more appropriate to capitalise the acquisition commissions on long-term contacts. These amounts were deferred for two thirds of their total value considering a three-year period as a reasonable approximation of their future utility.
With reference to the commissions to be received the change compared to 2011 is due to recent internal analysis which recalculated the charge incurred by the company for the receipt of the insurance contracts. Acquisitions commissions include the sales agency costs in accordance with Article 51 of Legislative Decree 173/97.

The other administration expenses include depreciation on fixed assets of Euro 491 thousand (Euro 499 thousand in 2011), as well as the amounts defined as per Article 53 of Legislative Decree 173/97.

## OTHER TECHNICAL CHARGES NET OF REINSURANCE – (ACCOUNT I.8)

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Other gross technical charges | 149,395 | 112,213 | 37,182 |
| Other technical charges ceded to reinsurers | 11,827 | 1,936 | 9,891 |
| | **161,222** | **114,149** | **47,073** |

The account amounts to Euro 161,222 thousand and includes Euro 12,190 thousand of cancellations of premiums as non-collectible and Euro 105,168 thousand of cancellations of premiums, primarily for technical errors. In the final part of 2012, and commencing from the year 2013, actions were undertaken to contain technical charges through the adjustment of the technical-accounting sub-systems within the cycle.
This was undertaken in order to contain the physiological misalignment between the head office and peripheral office archives and to take into account the judicial effects deriving from the repeal of the tacit renewal system in the Motor TPL Class.

## EQUALISATION PROVISIONS – PROVISIONS AND UTILISATIONS – (ACCOUNT I.9)

The net change amounts to Euro 2,762 thousand.

The breakdown by class is shown below:

| (in Euro thousands) | 2012 | 2011 |
|---|---|---|
| **Provision for natural disaster risks (direct business)** | | |
| Accident | 2 | 3 |
| Land vehicles | 1,160 | 1,159 |
| Aviation | 1 | 5 |
| Maritime | 10 | 13 |
| Goods in transit | 19 | 19 |
| Fire | 1,544 | 1,661 |
| Property | 19 | 30 |
| Pecuniary losses | 7 | 8 |
| | **2,762** | **2,898** |
| **Provision off-set with Credit Class** | **-** | **-** |
| | **2,762** | **2,898** |

Attachment 19 shows a summary by class of the technical account in the Non-Life Division.

# SECTION 19

# INFORMATION CONCERNING THE LIFE TECHNICAL ACCOUNT

## PREMIUMS WRITTEN NET OF REINSURANCE – (ACCOUNT II.1)

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Direct premiums | 826,788 | 1,042,388 | (215,600) |
| Indirect premiums | 3,062 | 3,665 | (603) |
| **Gross premiums written** | **829,850** | **1,046,053** | **(216,203)** |
| Premiums ceded to reinsurers | (10,631) | (18,933) | 8,302 |
| **Premiums written in year, net of reinsurance** | **819,219** | **1,027,120** | **(207,901)** |

The breakdown of the direct and indirect premiums together with the reinsurance balance is shown in attachment 20.

The account "gross premiums written" does not include, in accordance with ISVAP Regulation No. 22, the technical cancellation of first annuity premiums and single premiums issued in previous years, which were recorded in the account "Other technical charges".

## INVESTMENT INCOME – (ACCOUNT II.2)

In accordance with Article 54 of Legislative Decree 173/97, all the financial asset income and charges related with investments in the Life insurance sector are recorded in the relative technical account.

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Income from shares | 18,888 | 11,682 | 7,206 |
| Income from other investments | 344,869 | 342,625 | 2,244 |
| Write-backs on investment values | 105,632 | 3,128 | 102,504 |
| Profit realised on investments | 50,534 | 71,489 | (20,955) |
| | **519,923** | **428,924** | **90,999** |

The breakdown of the income from investments is shown in attachment 21, which also reports the corresponding data of the non-technical accounts related to the investments in the Non-Life Classes.
The income from shares includes dividends approved by the subsidiaries Popolare Vita and Sai Holding Italia totaling Euro 12,682 thousand.

## INCOME AND GAINS NOT REALISED RELATING TO INVESTMENTS WHERE THE RISK IS BORNE BY THE POLICYHOLDER AND FROM THE MANAGEMENT OF PENSION FUNDS - (ACCOUNT II.3)

### Income from class D I

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Gross income | 5,817 | 9,339 | (3,522) |
| Profits realised on investments | 4,732 | 158 | 4,574 |
| Unrealised gains | 7,372 | 1,074 | 6,298 |
| **TOTAL** | **17,921** | **10,571** | **7,350** |

The non-realised gains refer for Euro 3,480 thousand to Unit-linked policies and for Euro 3,892 thousand to Index-Linked products. The largest gains concern Euro 1,270 thousand relating to the World Cup 2 Index product and Euro 998 thousand to the Fonsailink Bilanciato Unit product.

### Income from class D II

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Gross income | 5,517 | 6,822 | (1,305) |
| Profits realised on investments | 15,591 | 7,896 | 7,695 |
| Unrealised gains | 9,998 | 3,953 | 6,045 |

| | | | |
|---|---|---|---|
| **TOTAL** | **31,106** | **18,671** | **12,435** |

The class D.II. income refers to the "Fondo Pensione Aperto SAI", the "Fondo Pensione Aperto Fondiaria Previdente" and the "Fondo Pensione Aperto Conto Previdenza".
The details of the income from class D is shown in attachment 22.

## OTHER TECHNICAL INCOME NET OF REINSURANCE - (ACCOUNT II.4)

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Other technical income before reinsurance | 3,020 | 2,664 | 356 |
| **TOTAL** | **3,020** | **2,664** | **356** |

Euro 2,321 thousand relates to the recovery of management commissions concerning Open Pension Funds.

## CLAIMS INCURRED NET OF REINSURANCE – (ACCOUNT II.5)

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Gross sum paid | (1,429,119) | (1,292,997) | (136,122) |
| Reinsurers' share | 10,460 | 12,287 | (1,827) |
| Gross change in provision for sums to be paid | 10,570 | 8,212 | 2,358 |
| Reinsurers' share | (1,506) | 1,298 | (2,804) |
| **TOTAL** | **(1,409,595)** | **(1,271,200)** | **(138,395)** |

The gross sums paid are as follows:

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| - for claims | 32,579 | 36,326 | (3,747) |
| - for matured policies | 522,197 | 533,128 | (10,931) |
| - for redemptions | 857,490 | 709,134 | 148,356 |
| - for life annuities | 8,403 | 7,912 | 491 |
| - for reinsured risks | 8,450 | 6,497 | 1,953 |
| **TOTAL** | **1,429,119** | **1,292,997** | **136,122** |

## CHANGES IN THE ACTUARIAL AND OTHER TECHNICAL PROVISIONS NET OF REINSURANCE – (ACCOUNT II.6)

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Change in the gross amount of the actuarial provision | 406,205 | 39,919 | 366,286 |
| Reinsurers' share | (4,308) | 2,422 | (6,730) |
| Change in the gross amount of the additional premium provision | (27) | 472 | (499) |
| Reinsurers' share | - | - | - |
| Change in the gross amount of the technical provisions | 3,031 | 4,130 | (1,099) |
| Reinsurers' share | - | - | |
| Change in the gross amount of the class D technical provisions | (29,763) | 38,413 | (68,176) |
| Reinsurers' share | - | - | - |
| **TOTAL** | **375,138** | **85,356** | **289,782** |

The change in the technical provisions relates, principally, to the change of the actuarial provisions for pure premiums of contracts in portfolio, mainly related to the segregated funds, which have either matured or were redeemed during the year.

## PROFIT SHARING AND REVERSALS RECOGNISED TO POLICYHOLDERS OR OTHER BENEFICIARIES – (ACCOUNT 11.7)

During the year no reversals or profit participations recognised to policyholders or other beneficiaries were recorded.

## OPERATING EXPENSES – (ACCOUNT II.8)

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Acquisition commissions | (14,550) | (15,559) | 1,009 |
| Other acquisition expenses | (16,306) | (14,275) | (2,031) |
| Change in commissions and expenses to be amortised | 4,227 | - | 4,227 |
| Collection commissions | (3,690) | (4,068) | 378 |
| Other administration expenses | (36,296) | (31,239) | (5,057) |
| Commissions and profit part. from reinsurers | 3,755 | 3,767 | (12) |
| **TOTAL** | **(62,860)** | **(61,374)** | **(1,486)** |

The acquisition commissions include also long-term acquisition commissions of Euro 4,718 thousand.
The long-term commissions were deferred to future years based on the duration of the contract, but in any case for a period no longer than ten years.

The other acquisition expenses include general overhead costs, as well as commercial expenses relating to the IT management of the new contracts acquired.

## ASSET AND FINANCIAL CHARGES – (ACCOUNT II.9)

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Management expenses on investments and interest expense | (18,386) | (18,890) | 504 |
| Write-downs on investment values | (232,222) | (435,525) | 203,303 |
| Losses realised on sale of investments | (11,043) | (16,010) | 4,967 |
| **TOTAL** | **(261,651)** | **(470,425)** | **208,774** |

Attachment 23 reports the composition of asset and financial charges of Life management.
The management expenses on investments includes the negative differentials on interest rate swaps of Euro 8,597 thousand, in addition to property taxes of Euro 124 thousand.

The write-downs on investment values include depreciation of buildings held for Euro 732 thousand, write-downs on investment property for Euro 335 thousand, concerning impairments, in addition to write-downs on financial instruments as follows:

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| CIII shares | (21,412) | (67,774) | 46,362 |
| Shares in group companies | (196,319) | (141,396) | (54,923) |
| Mutual funds | (1,586) | (11,140) | 9,554 |
| Government bonds | (2) | (168,551) | 168,549 |
| Corporate bonds | (10,618) | (44,916) | 34,298 |
| Other financial assets | (1,218) | (901) | (317) |
| **TOTAL** | **(231,155)** | **(434,678)** | **203,523** |

The write-down of Group companies includes the write-down in the subsidiary Milano Assicurazioni for Euro 149 million.

## ASSET AND FINANCIAL CHARGES AND LOSSES NOT REALISED RELATING TO INVESTMENTS WHERE THE RISK IS BORNE BY THE POLICYHOLDER AND FROM THE MANAGEMENT OF PENSION FUNDS - (ACCOUNT II.10)

### Class D I charges

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Investment management charges | (7) | 2 | (5) |
| Losses realised on sale of investments | (144) | (818) | 674 |
| Losses not realised | (842) | (11,629) | 10,787 |
| **TOTAL** | **(993)** | **(12,449)** | **11,456** |

The amount of the losses not realised refers for Euro 206 thousand to Unit-Linked products, Euro 636 thousand to Index-Linked products and other products as per Article 30 of Legislative Decree 174/95.

### Class D II charges

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Investment management charges | (5,740) | (3,085) | (2,655) |
| Losses realised on sale of investments | (3,551) | (11,593) | 8,042 |
| Losses not realised | (1,609) | (11,416) | 9,807 |
| **TOTAL** | **(10,900)** | **(26,094)** | **15,194** |

The class D.II. charges refers to the "Fondo Pensione Aperto SAI", the "Fondo Pensione Fondiaria Previdente" and the "Fondo Pensione Conto Previdenza".
Attachment 24 shows a breakdown of these charges.

## OTHER TECHNICAL CHARGES NET OF REINSURANCE – (ACCOUNT II.11)

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Other gross technical charges | (19,403) | (14,921) | (4,482) |
| Other technical charges ceded to reinsurers | - | - | - |
| **TOTAL** | **(19,403)** | **(14,921)** | **(4,482)** |

The other technical charges refer to losses on unrecoverable receivables and cancellations for technical error by the issuer.

## QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON TECHNICAL ACCOUNT (ACCOUNT II.12)

In accordance with ISVAP measure No. 22, Article 23, the portion of the investment profits must not be lower than the amount of the investment profits contractually recognised to the policyholders in the year.
The technical account is attributed the entire amount of the Life income. Therefore, no transfers were made to the non technical account.

# SECTION 20

## DEVELOPMENT OF THE CLASS TECHNICAL ACCOUNTS

In accordance with ISVAP Regulation No. 17 of March 11, 2008 the Company adopted, with Board of Directors' resolution of June 18, 2008, the following criteria for the division of common costs and revenues between Life and Non-Life management:

- the technical-insurance costs and revenues are allocated directly to the individual managements on origin;
- for the other non technical costs and revenues such as asset and financial income and charges, depreciation, provisions as well as other extraordinary and ordinary income and charges, the allocation to one of the managements is made from origination based on the direct correlation which relates the asset elements from which they derive;
- for the other non technical costs and revenues, such as personnel not allocated and other administration expenses not directly allocated, the division between the two managements is based on an analytical accounting basis which, recorded based on cost centres, permits the allocation to one of the management centres. On the other hand, common income and costs are divided according to the drivers which takes into account specific weight of each class of the overall business.

Separately for each of the two managements: in the Non-Life Classes the common amounts to several Classes are represented by management expenses and by the quota of the profit of the investments transferred from the non technical account; in the Life Classes, the common accounts to several Classes are represented by the management expenses and the income from investments net of the quota transferred to the non technical account.

The following criteria for the breakdown of these common accounts are as follows:

- other acquisition expenses: include the costs of the Commercial Networks and the Assistance Unit together with the costs for the IT structure, utilised for the acquisition of the contracts. The allocation, in the majority of the cases, is made based on premiums, appropriately adjusted. Where possible, however, the direct allocation is made according to the nature of the expenses;
- claims expenses: they relate to expense cost centres of the Loss adjustor’s Network and the cost for the IT claims procedures. The allocation of the expenses not directly attributable to the individual Classes is made based on the average number and amount of the claims settled by staff;
- other administration expenses: all the other costs not included in the two previous categories comprise the other administration expenses and principally relate to overhead costs included in the holding costs. The criteria utilised for the division is based on, in the majority of the cases, premiums appropriately adjusted, while for some expenses, promptly indentified, a different criteria was utilised due to the specifics of the activity undertaken;

- for the portion of the profits of the investments, reference should be made to Article 22 of ISVAP Regulation No. 22.

Attachment 25 provides a summary of technical accounts by each Non-Life Class of the Italian portfolio.
Attachment 27 provides a summary of technical accounts by each Life Class of the Italian portfolio.

Further claims information on the technical accounts of the Non-Life and Life Classes, with reference to the Italian and foreign portfolios, are shown in attachments 26, 28 and 29.

# SECTION 21

# INFORMATION CONCERNING THE TECHNICAL ACCOUNT

## INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION – (ACCOUNT III.3)

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---|---|---|
| Income from shares | 44,108 | 11,005 | 33,103 |
| Income from other investments | 120,917 | 106,201 | 14,716 |
| Write-backs on investment values | 14,802 | 2,627 | 12,175 |
| Profit realised on investments | 47,704 | 32,745 | 14,959 |
| **TOTAL** | **227,531** | **152,578** | **74,953** |

Attachment 21 shows, together with the income from Life management, the details of investment income.

The income from shares includes dividends approved by the subsidiaries Popolare Vita and Sai Holding Italia totaling Euro 33,632 thousand.

## QUOTA OF INVESTMENT INCOME TRANSFERRED FROM THE LIFE DIVISION TECHNICAL ACCOUNT (ACCOUNT III.4)

Reference should be made to the comments in the related section of the Life Class technical account.

## ASSET AND FINANCE CHARGES FOR NON-LIFE INSURANCE BUSINESS – (ACCOUNT III.5)

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---|---|---|
| Management expenses on investments and interest expense | (54,005) | (44,894) | (9,111) |

| | | | |
|---|---|---|---|
| Write-downs on investment values | (753,007) | (634,137) | (118,870) |
| Losses realised on sale of investments | (47,794) | (29,692) | (18,102) |
| **TOTAL** | **(854,806)** | **(708,723)** | **(146,083)** |

The management expenses on investments includes negative differentials on interest rate swaps of Euro 17,517 thousand, in addition to taxes of Euro 8,109 thousand, of which property taxes of Euro 7,997 thousand.

The write-downs of investment values include depreciation of buildings held for Euro 18,425 thousand, write-downs on investment property for Euro 95,392 thousand, concerning impairments, in addition to write-downs on financial instruments as follows:

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| CIII shares | (29,941) | (97,992) | 68,051 |
| Shares in group companies | (559,111) | (430,581) | (128,530) |
| Mutual funds | (48,783) | (6,096) | (42,687) |
| Government bonds | (65) | (32,824) | 32,759 |
| Corporate bonds | (22) | (14,814) | 14,792 |
| Other financial assets | (1,268) | (1,195) | (73) |
| **TOTAL** | **(639,190)** | **(583,502)** | **(55,688)** |

Attachment 23 shows the asset and financial charges also in relation to Life management.

## QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (ACCOUNT III.6)

As established by Article 22 of ISVAP Regulation No. 22/2008, no transfers were made from the Non-Life insurance sector technical account as a net investment charge was recorded during the year.

## OTHER INCOME (ACCOUNT III.7)

The account amounts to Euro 311,547 thousand (Euro 296,861 thousand in 2011) and is broken down as follows:

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Recovery of expenses and administrative cost | 163,981 | 153,693 | 10,288 |
| Interest on restricted bank current accounts | 3,447 | 4,224 | (777) |
| Interest on insurance company accounts | 448 | 384 | 64 |
| Interest on other receivables | 5,126 | 3,147 | 1,979 |
| Utilisation of doubtful debt provision | 20,876 | 6,757 | 14,119 |
| Utilisation of provision for risks and charges | 91,265 | 103,196 | (11,931) |
| Other income | 25,336 | 23,499 | 1,837 |
| Exchange differences | 1,068 | 1,961 | (893) |
| **TOTAL** | **311,547** | **296,861** | **14,686** |

The recovery of third party expenses and administration charges, which are offset against other charges, principally relate to the recharges to companies of the Group against the division, based on standard criteria, of the general functional costs.

The interests on non restricted bank accounts includes interest of Euro 1,406 thousand on bank accounts held by BancaSai and for Euro 2,041 thousand on current accounts of other banks.

The interest from other receivables principally relates to interest from agents for Euro 3,130 thousand, interest for the management of the Road Victims' Provision claims for Euro 695 thousand and interest from tax receivables of Euro 956 thousand.

The utilisation of the doubtful debt provision is due to the losses recorded in the year relating to amounts which were provisioned and to other estimates not collectible other than those relating to premiums issued.

The utilisation of the risks and charges provision includes the utilisation of the service bonus provision as per Article 32 of the NCBA for Euro 1,206 thousand.

Utilisations were also recorded of Euro 90,059 thousand from the provision for risks and charges, among others, against charges incurred, already accrued in previous years, as well as against charges incurred following the settlement of disputes or the elimination of risks in this regard.

Other income, amounting to Euro 25,336 thousand (Euro 23,499 thousand in 2011) principally refers to services provided to companies of the Group.

These amounts are in addition to those of a mere recovery of costs and relate to the recovery from third parties of expenses and administration charges.

## OTHER CHARGES (ACCOUNT III.8)

The account amounts to Euro 407,549 thousand (Euro 406,860 thousand in 2011) and includes:

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---|---|---|
| Administrative costs/expenses incurred for third parties | (163,981) | (153,693) | (10,288) |
| Interest expense on insurance company accounts | (623) | (1,114) | 491 |
| Provision for doubtful debts | (51,518) | (20,924) | (30,594) |
| Provision for risks and charges | (84,546) | (82,469) | (2,077) |
| Losses on receivables | (10,353) | (6,733) | (3,620) |
| Amortisation on other intangible assets | (21,695) | (6,262) | (15,433) |
| Goodwill amortisation | (15,366) | (15,366) | - |
| Interest on loans | (4,829) | (7,023) | 2,194 |
| Interest on subordinated liabilities | (31,719) | (34,416) | 2,697 |
| Exchange differences | (751) | (990) | 239 |
| Others | (22,168) | (77,870) | 55,702 |
| **TOTAL** | **(407,549)** | **(406,860)** | **(689)** |

The administration charges and expenses on behalf of third parties, which are also recorded under other income, within recoveries exclusively relate to the recharge to companies of the Group against the division, based on standard criteria, of the general Group overhead costs.

The provision for doubtful debts relates to the provision from agencies and brokers, from co-insurance companies and other debtors, other than those deriving from policyholders for amounts considered doubtful.

The provision for risks and charges refers for Euro 66,984 thousand to provisions for future risks and charges.

The provision also includes charges that the company must incur, of a certain nature and amount, for which the date of payment is still uncertain.

The residual refers to the tax provision for Euro 15,270 thousand, the service bonus provision as per Article 32 of the NCBA for Euro 1,967 thousand and for Euro 325 thousand to the provision for commitments deriving from the trade union agreement of April 14, 1972 for pension supplements.

In relation to the amortisation of goodwill in the year, reference should be made to the account Intangible Assets.

The amortisation on other intangible assets, amounting to Euro 21,695 thousand, relates for Euro 13,606 thousand to expenses incurred for the capital increase in 2012, Euro 4,808 thousand for expenses incurred for the capital increase in 2011, Euro 1,827 thousand for expenses incurred for the corporate integration project in course with Unipol S.p.A., Euro 1,350 thousand for the cost of the placement of the subordinated loans and for Euro 72 thousand to software rights. Finally, Euro 29 thousand refers to leasehold improvements and Euro 3 thousand to trademarks.

The interest on loans principally includes Euro 3,976 thousand relating to the loan granted by the subsidiaries Saifin and Fondiaria Nederland, Euro 267 thousand for interest on loans granted by Sim Etoile and Euro 89 thousand relating to the loan granted by the subsidiary Sainternational.

The interest on subordinated liabilities refers entirely to four loans from Mediobanca.

The residual charges principally refer to costs incurred against revenues for services carried out by some companies of the Group for Euro 7,053 thousand, to the amount due to Finitalia on loans for receivables granted to insurance policy counterparties for Euro 6,136 thousand, bank charges for Euro 55 thousand and taxes of Euro 1,371 thousand.

The account also includes Euro 4,185 thousand relating to charges incurred for the installation of satellite devices in client motor vehicles.

## EXTRAORDINARY INCOME – (ACCOUNT III.10)

The account amounts to Euro 69,402 thousand (Euro 61,921 thousand at 31/12/2011) and is composed as follows:

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Gain on property sales | 4,367 | 13,839 | (9,472) |
| Gain from sale of investments in non-current securities | 44,647 | 17,646 | 27,001 |
| Other extraordinary income | 20,388 | 30,436 | (10,048) |
| **TOTAL** | **69,402** | **61,921** | **7,481** |

The largest gains generated relate to buildings utilised by the company for Euro 3,635 thousand.

The account "Gain from the sale of investments in non-current securities" includes income realised of Euro 20,531 thousand relating to bonds, while Euro 24,116 thousand refers to the equity segment.
Other extraordinary income includes prior year income of Euro 20,384 thousand and gains on buildings of Euro 4 thousand. The prior year income includes a Euro 10,600 thousand indemnity paid by Unicredit for the non-contractual execution as per Article 3.4 of the sales agreement of June 29, 2006 between Fondiaria-SAI and Capitalia.

## EXTRAORDINARY CHARGES – (ACCOUNT III.11)

The account amounts to Euro 55,924 thousand (Euro 46,716 thousand at 31/12/2011) and is composed as follows:

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Expenses relating to the sale of buildings | (248) | (2,160) | 1,912 |
| Losses from sale of investments in non-current securities | (29,718) | (6,986) | (22,732) |
| Loss from valuation of treasury shares | (1,952) | (18,263) | 16,311 |
| Other extraordinary charges | (24,006) | (19,307) | (4,699) |
| **TOTAL** | **(55,924)** | **(46,716)** | **(9,208)** |

The losses from the sale of investments in non-current securities related for Euro 2,299 thousand to bonds and Euro 27,419 thousand to equities.

The other extraordinary charges include prior year charges of Euro 22,761 thousand, of which Euro 1,621 thousand due to sanctions from ISVAP. The account also includes charges for repayment to policyholders against premiums paid in excess compared to the amount due following pronouncements by the Antitrust Authority for Euro 494 thousand, prior year taxes of Euro 403 thousand and other extraordinary charges of Euro 348 thousand.

## INCOME TAXES - (ACCOUNT III.14)

The account is a charge of Euro 8,559 thousand (income of Euro 105,003 in 2011) and is broken down as follows:

| (in Euro thousands) | 2012 | 2011 | Change |
|---|---|---|---|
| Current taxes | | | |
| IRES income taxes before changes from tax consolidation | (21,339) | - | (21,339) |
| Estimated income/(charge) from tax consolidation | 19,962 | (64,112) | 84,074 |
| **IRES** | **(1,377)** | **(64,112)** | **62,735** |
| **IRAP** | **(6,480)** | **-** | **(6,480)** |
| **Total current income taxes** | **(7,857)** | **(64,112)** | **56,255** |
| Deferred taxes | | | |
| IRES | (6,437) | 463,325 | (469,762) |
| IRAP | 7,047 | 53,168 | (46,121) |
| **Total net deferred taxes** | **610** | **516,493** | **(515,883)** |
| Other income taxes | | | |
| IRES/IRAP substitute tax | (1,312) | (110,627) | 109,315 |
| **Total other taxes** | **(1,312)** | **(110,627)** | **109,315** |
| **Total taxes for the year** | **(8,559)** | **341,754** | **(350,313)** |

The current income taxes refer to the estimated IRES income taxes and IRAP regional taxes for the current year, calculated in accordance with the current tax regulations and applied on the respective assessable basis for the nominal amounts of 27.5% for IRES income taxes and 6.82% for IRAP regional taxes.
These taxes are recorded as a provision and not as a tax payable, as at the year-end the income tax declaration of the company was not yet prepared.

In relation to the IRES income tax, for the year 2012 the Group taxation was continued pursuant to Article 117 of the Pres. Decree No. 917/1986 (so-called national tax consolidation) in which the Company, as consolidating company, settles and pays the IRES income tax on behalf of the subsidiary companies within the tax consolidation. However, the IRES income tax in the income statement only refers to the amount attributable to the Company based on its result, positive or negative, net of the positive and negative tax items deriving from the consolidation adjustments. The income tax provision includes the entire charge estimated by the Group.
Current income taxes amount to a charge of Euro 1,377 thousand as a combination of current taxes of Euro 21,339 thousand and net income from the tax consolidation of Euro 19,962 thousand.

In accordance with national accounting standard O.I.C. No. 25, in relation to the correct recognition of the advantages from the tax consolidation, the amount recorded as income refers only to the tax saving related to the losses effectively off-settable within the income of the group. In relation to this, it is reported that the provisional allocation of these economic advantages to the Company are illustrated in the movements of the specific risk provisions recorded in the accounts, as are the utilisations against the restitution to the consolidated companies of the same advantages.

The reconciliation between the fiscal charges recorded in the financial statements and the IRES income tax rate of 27.5% is as follows:

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---|---|---|
| **Loss before taxes** | (714,165) | (1,362,122) | 647,957 |
| | | | |
| Taxes on theoretical income (excluding regional tax) | 196,395 | 374,584 | (178,188) |
| Tax effect from changes in permanent differences | (222,029) | (171,609) | (50,420) |
| Other differences | 17,820 | 196,238 | (178,418) |
| **Taxes on income (excluding regional tax)** | **(7,814)** | **399,213** | **(407,026)** |
| | | | |
| IRAP | 567 | 53,168 | (52,601) |
| Other taxes | (1,312) | (110,627) | 109,315 |
| **Total income taxes for the year** | **(8,559)** | **341,754** | **(350,312)** |

For a better understanding of the reconciliation between theoretical taxes and actual taxes, no account was taken of the IRAP regional tax as the assessable base is substantially different, and therefore not comparable. No account was taken of the substitute taxes recorded.

The permanent differences, whose net effect results in an increase in income taxes for the year of Euro 222,029 thousand refers to exempt income of approx. Euro 132,294 thousand, deductions solely for tax purposes of Euro 12,457 thousand and non deducible costs of Euro 952,130 thousand.

Exempt income includes:

- Euro 36,475 thousand relating to the release of the risks provision;
- Euro 62,162 thousand to exempt dividends declared or received in the year;
- Euro 13,130 thousand valuation gains and gains to be realised on so-called “pex” investments;
- Euro 6,074 thousand to the exempt tax component of the change in the compulsory insurance contract liabilities of the Life class in accordance with the provisions introduced with Article 38 of Legislative Decree No. 78/2010.

The deductions refer to the estimate of the deduction for the 2012 tax year relating to the increase of own capital invested (so called “Ace”), in accordance with Article 1 of Legislative Decree 201 of December 6, 2011.

The non-deductible costs include:

- Euro 796,958 thousand relating to valuation losses and to be realised relating to equity securities held in accordance with Article 87 of the Income tax Act (so-called “Pex”);
- Euro 40,910 thousand relating to losses realised on options to hedge non-current equity securities;
- Euro 51,337 thousand relating to risk provisions for which no correlated deferred tax asset was recorded. Of these, Euro 15,270 thousand refers to provisions against possible charges deriving from tax disputes with the tax authority;
- Euro 9,742 thousand relates to non-deductible taxes and penalties.

The positive effects of the other differences, amounting to Euro 17,820 thousand, refer to:

- Euro 10,794 thousand to the charge relating to the payment, made at the beginning of 2013, of the 12% of the losses transferred to the consolidation from 2006 to 2011 and not yet automatically re-absorbed in favour of some group companies, following the exercise, by these companies, of the right contained in the tax consolidation contract. The exercise of this option also resulted in the release of the risk provision of Fondiaria-SAI totaling Euro 24,736 thousand as the obligation is no longer applicable. The total net positive impact recorded in the income statement was therefore Euro 13,942 thousand.
- Euro 3,178 thousand to the charge relating to the same option for the tax saving flat rate of the 12% mentioned above, relating to the estimated losses for the 2012 tax year of the subsidiaries Atahotels and Italresidence recorded as income in the financial statements of these companies. The difference compared to that simultaneously recorded as income on the tax consolidation, in relation to these losses, was prudently recorded as a risk provision where these companies do not decide, within the contractual expiry date of December 31, 2013, to formally exercise the option.
- Euro 16,590 thousand to the income related to the allocation, in the consolidating company Fondiaria-SAI, of the tax saving of the tax losses estimated by some subsidiaries such as, in particular, C.O.F. Casa di cura Villanova, Marina di Loano, Immobiliare Fondiaria-SAI in addition to the above-mentioned Atahotels.
- Euro 17,343 thousand to the income related to the adjustments made to the accounting items relating to the adoption of the tax consolidation and to the net income and charges recorded in previous years. This adjustment is principally due to the decision, by the consolidated company Popolare Vita, to recognise in its 2012 financial statements, the tax saving on the entire amount of the tax losses reported from 2009 to 2011 in consideration of the expected profitability and such as to justify the autonomous absorption of these losses. Fondiaria-SAI therefore adjusted the amounts previously recorded in the 2011 financial statements against charges estimated consequent of the expected exercise of the option for the flat rate of 12% in addition to that previously provisioned in the risk provisions, against payables to subsidiaries following the transfer of the losses and to the amount of the deferred tax assets relating to the excess tax losses as resulting from the Group income tax declaration.
- Euro 2,141 thousand to the reversal of deferred tax assets recorded excessively in previous years or as the conditions for their existence were no longer in place.

In relation to IRAP, the estimated tax improved the result in the year for Euro 567 thousand.

This is due to the net impact between the charge for estimated current taxes for the year of Euro 6,480 thousand and the income, for Euro 7,047 thousand, substantially related to the provision of deferred tax assets on the adjustments of the property values which reversed on the disposal of these assets.

The movements in deferred taxes are as follows:

| (in Euro thousands) | **2012** | **2011** | **Change** |
|---|---|---|---|
| Deferred tax charges arising | (46) | (10) | (36) |
| Deferred tax charges cancelled | 1,076 | 1,211 | (135) |
| Deferred tax income arising | 73,679 | 536,226 | (462,547) |
| Deferred tax income cancelled | (74,099) | (21,977) | (52,122) |
| Change in deferred taxes for rates | - | 1,043 | (1,043) |
| **TOTAL** | **610** | **516,493** | **(515,883)** |

In accordance with Article 2427 of the Civil Code, point 14, the following table shows the temporary differences giving rise to the deferred tax assets and liabilities. This was calculated applying to these temporary differences the nominal rates in force when the amounts will reverse, already approved at the date of the preparation of the present accounts, in accordance with national accounting standard No. 25, issued by O.I.C.

The breakdown of deferred tax assets is as follows:

| (in Euro thousands) | 2012 | | 2011 | |
|---|---|---|---|---|
| **Deferred tax income arising** | **Temp. Diff.** | **Deferred Tax** | **Temp. Diff.** | **Deferred Tax** |
| Tax loss | - | - | 499,401 | 137,335 |
| Goodwill capitalised | - | - | 685,308 | 235,745 |
| Write-down receivables from policyholders for premiums | 38,569 | 10,606 | 27,872 | 7,665 |
| Change Non-Life claims provision | 2,575 | 708 | 252,119 | 69,333 |
| Write-down of other receivables | 50,160 | 13,794 | 20,924 | 5,754 |
| Building write-down | 103,671 | 35,580 | 68,171 | 23,451 |
| Losses not realised on shares | 13,486 | 3,709 | 107,113 | 29,456 |
| Provision for risks and charges | 33,426 | 9,192 | 67,939 | 18,683 |
| Other temporary changes | 325 | 89 | 32,013 | 8,804 |
| **TOTAL** | **242,212** | **73,678** | **1,760,860** | **536,226** |

Movements during the year in deferred tax assets are as follows:

| (in Euro thousands) | 2012 | 2012 Change | | 2012 |
|---|---|---|---|---|
| **Deferred tax income** | **Opening balance** | **Equity impact** | **P&L impact** | **Closing balance** |
| Tax loss | 232,823 | (63,730) | (20,158) | 148,935 |
| Goodwill capitalised | 235,745 | (25) | (2,670) | 233,050 |
| Write-down receivables from policyholders for premiums | 43,303 | (16,852) | 10,580 | 37,031 |
| Change Non-Life claims provision | 96,884 | - | (4,932) | 91,952 |
| Write-down of other receivables | 16,606 | - | 8,053 | 24,659 |
| Property write-down | 23,451 | - | 35,525 | 58,976 |
| Property maintenance provision | - | - | - | - |
| Losses not realised on shares | 48,941 | - | (14,126) | 34,815 |
| Provision for risks and charges | 48,853 | - | (4,386) | 44,467 |
| Other temporary changes | 13,499 | 3,661 | (8,306) | 8,854 |
| **TOTAL** | **760,105** | **(76,946)** | **(420)** | **682,739** |

With reference to the temporary differences arising in the year, the recording of deferred tax assets for Euro 73,678 thousand is principally due to the write-down made on buildings owned in order to align the book values to market values in accordance with independent expert valuations which will be reabsorbed on the disposal of these assets.

On the other hand the reversal of the taxes accrued in previous years amounts to Euro 74,099 thousand (Euro 21,977 thousand in 2011). This amount is due, among others, for Euro 20,158 thousand, to the utilisation, within the limits permitted by tax legislation, of part of the tax losses relating to previous years to reduce the assessable income of the company net of the tax losses transferred by some subsidiaries, and ceded to them, in accordance with the Group tax contract.

In relation to the income taxes arising and reversing with only equity impact they refer to:

- Euro 19,598 thousand reversal of deferred taxes relating to the write-down of receivables from policyholders and goodwill amortisation, following the transformation to tax receivables pursuant to Article 2, paragraph 55 and thereafter of Legislative Decree 225/2010;
- Euro 1,701 thousand to the reversal of deferred taxes relating to part of the tax losses relating to the year 2011, following their transformation into tax receivables in accordance with paragraph 56 *bis* of the above-mentioned provision;
- Euro 62,029 thousand to the adjustments made on the balances of the excess tax losses, recorded in previous years. This adjustment is due to the difference between the estimated loss attributable to the company in the financial statements relating to the previous year and that resulting from the Group income tax declaration presented and, as previously outlined, to the adjustments made on the tax losses of the consolidated company Popolare Vita following the decision of the company to recognise in its 2012 financial statements the tax saving on the entire amount of the losses reported from 2009 to 2011 in consideration of the expected profitability and such as to justify the autonomous absorption of these losses.
- Euro 6,383 thousand to the deferred taxes recorded on the non-deduction in the previous year which is offset by a corresponding amount of lower deferred taxes on tax losses.

As regards the recoverability, also on a prudent basis, of the temporary differences relating to the deferred tax assets recorded at the end of the year, we provide the following information:

- The recoverability of the deferred tax assets related to tax losses carried forward is considered reasonable, given the amendments to the time limits introduced by Article 84 of Presidential Decree 917/1986, based on the forecast taxable earnings already drawn up.
- The recoverability of the deferred tax assets related to goodwill, to the change in the Non-Life Sector claims provision and other minor accounts is based on the evaluation of the reasonably certainty of the reversal of the relative timing differences.

The breakdown of deferred tax charges is as follows:

| (in Euro thousands) | **2012** | | **2011** | |
|---|---|---|---|---|
| **Deferred tax charges arising** | **Differences** | **Income tax** | **Differences** | **Income tax** |
| Gains not realised on shares | 168 | 46 | 37 | 10 |
| **TOTAL** | **168** | **46** | **37** | **10** |

The movements in the deferred tax liabilities including the changes following the increase in the IRAP rate is as follows:

| (in Euro thousands) | 2012 | 2012 Change | | 2012 |
|---|---|---|---|---|
| **Deferred tax liabilities** | **Opening balance** | **Equity impact** | **P&L impact** | **Closing balance** |
| Deferred gains | - | - | - | - |
| Gains not realised on shares | 102 | - | 46 | 148 |
| Only fiscal depreciation | 22,222 | - | (1,076) | 21,146 |
| Other temporary changes | 722 | - | - | 722 |
| Allocation of merger deficit | 22,694 | - | - | 22,694 |
| **TOTAL** | **45,740** | **-** | **(1,030)** | **44,710** |

Deferred tax liabilities arising in the year are effectively non existent.
In relation to the reversal of the deferred tax liabilities recorded in previous years, they amount to Euro 1,076 thousand against the taxation, for only IRAP purposes, of the amortisation only fiscally deductible in previous years.
Among the accounts excluded from the deferred tax are the provisions for risks and charges in previous years against those estimates for which it is considered appropriate, prudently, not to record deferred tax assets in consideration of the uncertainty on the timing and on the variability of the estimates made.

Similarly the write-downs and the related write-backs on investments held in accordance with Article 87 of Pres. Decree No. 917/1986 were excluded which, although technically reversible for the part of the gain which becomes taxable following the changes to the Pex law, they may not currently be recorded for a correct valuation.

# SECTION 22

## OTHER INFORMATION ON THE INCOME STATEMENT

Attachment 30 shows the transactions with group companies and attachment 31 shows the direct premiums written.
The table of costs relating to personnel, directors, and statutory auditors are reported in attachment 12.

**Obligation to disclose audit fees and fees for other services provided by audit firms**

The Consolidated Finance Act reform contained in Law No. 262 of December 28, 2005, supplemented by Legislative Decree No. 303 of December 29, 2006, changed the rules regarding conflicts of interest for independent auditors and introduced new requirements in relation to the disclosure of audit fees pursuant to Article 160, paragraph 1-*bis*.

Article 149-*duodecies* of the Consob Issuers Regulations implemented Article 160, paragraph 1-*bis* of the Consolidated Finance Act, establishing the format for the disclosure of the fees that the independent auditor and entities belonging to its network received, for auditing or for other services, disclosed separately by type or category.

The breakdown of fees received by the audit firm Reconta Ernst & Young S.p.A. and the companies that belong to the network of the audit firm, with reference to Fondiaria-SAI S.p.A. are shown below:

| Type of service | Party providing the service | Company | Fees (in Euro thousands) |
|---|---|---|---|
| a) audit | Reconta Ernst & Young S.p.A. | Fondiaria-SAI | 1,675 |
| b) certification work | Reconta Ernst & Young S.p.A. | Fondiaria-SAI | 1,477 |
| c) fiscal consulting | -. | - | - |
| d) other services | Reconta Ernst & Young S.p.A. | Fondiaria-SAI | 5 |
| | Studio Legale Tributario | Fondiaria-SAI | 50 |
| | Ernst & Young Financial Business Advisors S.p.A | Fondiaria-SAI | 366 |
| Total fees in the year | | | 3,573 |

*n.b. excluding VAT*

The fees received by the audit firm Reconta Ernst & Young and the companies that belong to the network of the audit firm, with reference to Fondiaria-SAI subsidiaries, are listed below:

| Type of service | Party providing the service | Company | Fees (in Euro thousands) |
|---|---|---|---|
| a) audit | Reconta Ernst & Young S.p.A. | Italian subsidiary companies | 1,592 |
| | Network Ernst & Young | Foreign subsidiary companies | 374 |
| b) certification work | Reconta Ernst & Young S.p.A. | Italian subsidiary companies | 744 |
| c) fiscal consulting | - | - | - |
| d) other services | Reconta Ernst & Young S.p.A. | Italian subsidiary companies | 5 |
| | Ernst & Young Financial Business Advisors S.p.A. | Italian subsidiary companies | 292 |
| | Network Ernst & Young | Foreign subsidiary companies | 20 |
| Total fees in the year | | | 3,027 |

*n.b. excluding VAT*

# Part C
# Other information

## SOLVENCY MARGIN AND CONSTITUTING ELEMENTS

The statement showing the solvency margin as per Regulation No. 19 of March 14, 2008, including the modifications of Regulation No. 43 of July 12, 2012, is attached to the financial statements. The amount of the margin is Euro 326 million for the Life Insurance Sector, of which Euro 109 million as the share of the guarantee and for the Non-Life Insurance Sector Euro 739 million, of which Euro 239 million as the share of the guarantee, against constituting elements of respectively Euro 947 million and Euro 985 million.

In relation to the adjusted solvency margin, calculated according to Regulation No. 18 of March 12, 2008, this stands at approx. 110% (78% at 31/12/2011). In particular, the required adjusted solvency margin is Euro 2,179 million against constituting elements of the margin of Euro 2,386 million.

In relation to the statutory solvency margin and the adjusted solvency, the Parent Company, compared to the previous year, did not make a recourse to the anti-crisis measures established by Regulation No. 43 of July 12, 2012 (previous Regulation No. 28 of February 17, 2009 and Regulation No. 37 of March 15, 2011).

The adjusted solvency margin of the parent company Premafin amounted to 90% (57% at the end of 2011).

Finally, the verification of the adjusted solvency of the indirect Parent Company Unipol Gruppo Finanziario (in relation to the verification of the adjusted solvency margin of the Parent Companies), established by ISVAP Regulation No. 18 of March 12, 2008, is discharged by Unipol Assicurazioni as the Insurance Company of the Group which presents the highest amount of total assets.

In this regard the available solvency margin of the indirect Parent Company Unipol Gruppo Finanziario S.p.A., and of the ultimate Parent Company Finsoe S.p.A, Parent Company of the financial conglomerate to which the Fondiaria SAI Group belongs, exceed the required margin.

In order to verify the solvency of the Parent Companies (Unipol Gruppo Finanziario and Finsoe) in 2012 the faculty established by Article 10 of ISVAP No. 42 of 12/7/2012 concerning the valuation of government debt securities or securities guaranteed by the European Union recognised, in the individual financial statements, under long term securities and in the consolidated financial statements in the assets available for sale category was exercised.

The application of the above stated regulation benefited the amount of the constituting elements of the solvency margin of the Parent Companies of Euro 94 million.

In the absence of the application of ISVAP No. 43, the available solvency margin of two Parent Companies, however, exceed the required margins.

## UPDATED NET EQUITY BASED ON THE PROPOSAL TO COVER THE LOSS FOR THE YEAR

Taking into account the proposal to cover the loss for the year, the net equity will be composed as follows:

| | | NON-LIFE | LIFE | TOTAL |
|---|---|---|---|---|
| I | Share capital subscribed or equivalent fund | 778,004 | 416,569 | 1,194,573 |
| II | Share premium reserve | - | 259,368 | 259,368 |
| III. | Revaluation reserve | - | - | - |
| IV | Legal reserve | 23,203 | 12,333 | 35,536 |
| V | Statutory reserves | - | - | - |
| VI | Reserves for treasury shares and shares of holding companies | 1,739 | 645 | 2,384 |
| VII | Other reserves | - | 135,472 | 135,472 |
| VIII | Retained earnings/Acc. losses | | | |
| IX | Result for the period | | | |
| | | **802,946** | **824,387** | **1,627,333** |

## INSURANCE CONTRACT LIABILITIES AT YEAR END AND COVERING ASSETS

The schedules of the assets assigned to cover the insurance contract liabilities of the Life Classes and of the Non-Life Classes, in accordance with the provisions of the Supervision Authority, are attached to the financial statements.
The covering provisions, totaling Euro 7,943 million for the Life Insurance Sector (Euro 7,517 million relating to the class C provisions and Euro 426 million relating to the class D provisions) and Euro 6,551 million for the Non-Life Insurance Sector, are undertaken by activity permitted by law.
The breakdown of covering assets are as follows (only Class C for the Life Division):

| **CLASS** ( Euro millions) | | **NON-LIFE** | **LIFE** |
|---|---|---|---|
| **Asset code** | **Description of activities** | **Amount covering** | **Amount covering** |
| A.1.1a | Securities issued or State guarantees | 2,282 | 5,260 |
| A.1.1b | Securities issued or State guarantees non-listed | 33 | 11 |
| A.1.2a | Bonds and similar securities listed | 124 | 1,714 |
| A.1.2b | Bonds and similar securities non-listed | 90 | 3 |
| A.1.4 | Fund units (Bonds) | - | 23 |
| A.1.8 | Accrued interest on securities | 26 | 114 |
| A.3.1a | Shares traded in a regulated market | 614 | 247 |
| A.3.1b | Non-listed shares | 473 | 56 |
| A.3.3 | Fund units (Equities) | - | 10 |
| A.4.1 | Land and buildings | 933 | 10 |
| A.4.3 | Investments in Property companies | 606 | - |
| A.4.4 | Units in closed and non-closed property funds | 305 | 69 |
| A.5.2a | Units in non-listed security funds and reserved funds | 17 | - |
| A.5.2b | Units in speculative funds | 6 | - |
| B | Receivables | 854 | - |
| C | Other assets | 19 | - |
| D | Bank deposits | 169 | - |
| | **Total assets covering** | **6,551** | **7,517** |
| | Insurance contract liabilities to be covered | 6,551 | 7,517 |

## TRANSACTIONS WITH RELATED PARTIES

The principal transactions with the companies of the Group recorded in the accounts of the Parent Company are shown below:

(Euro millions)

| Company | Assets | Liabilities | Costs | Revenues |
|---|---|---|---|---|
| **Subsidiaries** | | | | |
| ATAHOTELS S.p.A. | 15 | 10 | | 8 |
| AUTO PRESTO E BENE S.p.A. | | | 31 | |
| BANCASAI S.p.A. | 234 | 7 | 3 | 3 |
| CASA DI CURA VILLA DONATELLO | 3 | | | |
| CENTRO ONCOLOGICO FIORENTINO S.r.l. | 2 | 3 | | |
| FINITALIA S.p.A. | 14 | | 6 | |
| FONDIARIA SAI NEDERLAND B.V. | | 66 | 1 | |
| GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l. | 145 | 153 | 244 | 148 |
| IMMOBILIARE LOMBARDA S.p.A. | 1 | 2 | 4 | 1 |
| INCONTRA ASSICURAZIONI S.p.A. | 3 | | | |
| LIGURIA S.p.A. | 2 | 6 | | 1 |
| MILANO ASSICURAZIONI S.p.A. | 51 | 164 | 15 | 16 |
| POPOLARE VITA S.p.A. | 43 | 17 | 5 | 39 |
| PRONTO ASSISTANCE S.p.A. | 2 | 2 | 28 | 26 |
| PRONTO ASSISTANCE SERVIZI Scarl | 3 | | 12 | |
| SAI FINANZIARIA S.p.A. | | 158 | 3 | |
| SAI INTERNATIONAL S.A. | | 5 | | |
| SAI INVESTIMENTI SGR. S.p.A. | 4 | | | 1 |
| SAI HOLDING S.p.A. | 23 | | | 22 |
| SIAT S.p.A. | 37 | 1 | 16 | 13 |
| SIM ETOILE S.A. | | 15 | | |
| THE LAWRENCE LIFE LTD | 2 | | 2 | 4 |
| THE LAWRENCE RE IRELAND LTD. | 190 | 45 | 74 | 113 |
| **Group companies** | | | | |
| UNIPOL ASSICURAZIONI S.p.A. | 3 | | | |
| UNIPOL BANCA S.p.A. | 2 | | | |
| **Other holdings** | | | | |
| EX VAR SCS | 26 | | | |
| WAVE TECHNOLOGIES | | | 5 | |
| OTHER | 9 | 9 | 7 | 6 |

In particular, the principal transactions relate to:

- Auto Presto & Bene S.p.A. – the costs refer to claims in the Motor TPL class for Euro 31 million;
- BancaSai S.p.A. - the assets refer to current accounts which the parent company holds with the subsidiary for Euro 201 million and non-listed bonds issued by the subsidiary, and subscribed by the parent company for Euro 33 million;

- Ex Var Scs – the assets refer to the undertaking of obligations concerning an investment loan of Euro 26 million;
- Fondiaria Nederland BV - the liabilities refer to the loans obtained, while the costs refer to the interest on the loan;
- Fondiaria-SAI Servizi s.c.r.l. Group – the assets principally refer to employee secondment receivables, while the liabilities comprise consortium contributions due for services received in the year; the costs incurred and the revenues principally relate to consortium transactions relating to group services;
- Milano Assicurazioni S.p.A. – the assets refer for Euro 32 million to reinsurance transactions, for Euro 6 million to receivables from co-insurance transactions, for Euro 6 million for employee secondment receivables and Euro 4 million for the inclusion of the company in the national tax consolidation; the liabilities principally concern the inclusion of the company in the national tax consolidation for Euro 50 million, relating to the payment of IRES to the consolidating company Fondiaria-SAI S.p.A. and for IRES 2010 to be repaid for Euro 51 million; for provisions of Fondiaria-SAI S.p.A. for reinsurance transactions of Euro 45 million and current account reinsurance transactions for Euro 10 million; the costs principally refer to reinsurance transactions while the income includes consortium activities for Euro 9 million and reinsurance transactions for Euro 7 million;
- Popolare Vita S.p.A. – the assets refer to receivables for technical-managerial services provided to the parent company for Euro 4 million, the inclusion in the tax consolidation for Euro 15 million and the declaration of the 2012 dividend which will be received in 2013 for Euro 24 million; the liabilities refer substantially to the charge related to the tax saving of the company due to the tax consolidation, including receivables transferred to the Group for Euro 17 million; revenues principally refer to the provision of technical-managerial services and outsourced administration services to the Parent Company and income from the declaration of the 2012 dividend;
- Pronto Assistance S.p.A. - costs and revenues refer to reinsurance transactions, relating to the Assistance Class;
- Pronto Assistance Servizi S.p.A. – the costs refer to expenses incurred for claim settlement for Euro 8 million and Euro 4 million of administrative costs for assistance and operational services;
- Sai Finanziaria S.p.A. - the liabilities principally refer to loans obtained of Euro 157 million;
- Sai Holding S.p.A. – the assets and revenues refer to the 2012 dividend which will be received in 2013;
- Sai International - the liabilities principally refer to loans obtained of Euro 5 million;
- Siat S.p.A. – the assets principally refer to the national tax consolidation for Euro 4 million, reinsurance for Euro 26 million and secondment of personnel for Euro 4 million; the costs and revenues principally refer to reinsurance transactions;
- Sim Etoile S.A. - the liabilities principally refer to loans obtained of Euro 15 million;
- The Lawrence Re Ireland Ltd. - the assets and liabilities and the costs and revenues refer to reinsurance transactions.
- Unipol Assicurazioni S.p.A. – the assets refer to co-insurance operations for Euro 3 million;
- Unipol Banca S.p.A. – the assets refer to current accounts for Euro 2 million.

## Other Related Parties of Fondiaria-SAI

The Fondiaria-SAI Board meeting of December 23, 2011 approved the updating of the previous version of the document "Rules of conduct for carrying out significant transactions and procedures for carrying out transactions with related parties", prepared pursuant to CONSOB Resolution No. 17221 of March 12, 2010 ("CONSOB Regulation"). The Board resolution took account of the favourable opinion of all independent directors. The new procedures were published on the website of the Company on December 23, 2011 and applied from January 1, 2012. In compliance with that stated above, the Board also approved the updated text of the guidelines for transactions with related parties as per ISVAP Regulation No. 25 of May 27, 2010, in relation to which reference is made to the above stated document concerning the procedural aspects of the transactions with related parties.

The balance sheet, income statement and financial data concerning transactions with related parties and the nature of the underlying activity is presented in the following tables:

| (in Euro thousands) | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| **COUNTERPARTY** | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Holding company | 259 | - | 171 | 1,421 |
| Associated companies | 567 | 10 | 507 | 8 |
| Group companies | 4,664 | 381 | 7 | 8 |
| Other related parties | - | 555 | 77,201 | 968 |
| **Total** | **5,490** | **946** | **77,886** | **2,405** |

| (in Euro thousands) | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| **NATURE** | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Real estate activities | 126 | - | 298 | 20 |
| Insurance activities | 4,664 | 349 | - | 10 |
| Financial activities | 133 | 7 | 77,075 | 12 |
| Service provided | 567 | - | 513 | - |
| Services received | - | 119 | - | 1,699 |
| Emoluments for corporate officiers | - | 471 | - | 665 |
| Remuneration to key management personnel | - | - | - | - |
| **Total** | **5,490** | **946** | **77,886** | **2,405** |

| (in Euro thousands) | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| **COUNTERPARTY** | **Income** | **Charges** | **Income** | **Charges** |
| Holding company | 387 | 240 | 164 | 1,973 |
| Associated companies | 291 | - | 247 | 537 |
| Group companies | 10 | 2 | - | - |
| Other related parties | 22,459 | 41,490 | 23,607 | 37,727 |
| **Total** | **23,147** | **41,732** | **24,018** | **40,237** |

| (in Euro thousands) | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| **NATURE** | **Income** | **Charges** | **Income** | **Charges** |
| Real estate activities | 737 | 121 | 609 | 127 |
| Insurance activities | 21,940 | 18,327 | 23,150 | 11,514 |
| Financial activities | 160 | 437 | - | 1,024 |
| Service provided | 310 | - | 259 | - |
| Services received | - | 5,087 | - | 4,396 |
| Emoluments for corporate officiers | - | 3,181 | - | 5,544 |
| Remuneration to key management personnel | - | 14,579 | - | 17,632 |
| **Total** | **23,147** | **41,732** | **24,018** | **40,237** |

| (in Euro thousands) | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| **COUNTERPARTY** | **Cash inflow** | **Cash outflow** | **Cash inflow** | **Cash outflow** |
| Holding company | 548 | 10,212 | 275 | 1,074 |
| Associated companies | 344 | - | 332 | - |
| Group companies | - | - | - | - |
| Other related parties | 22,497 | 40,143 | 23,709 | 39,022 |
| **Total** | **23,389** | **50,355** | **24,316** | **40,096** |

| (in Euro thousands) | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| **NATURE** | **Cash inflow** | **Cash outflow** | **Cash inflow** | **Cash outflow** |
| Real estate activities | 837 | 148 | 715 | 268 |
| Insurance activities | 21,934 | 18,329 | 23,153 | 11,472 |
| Financial activities | 26 | 8,789 | - | 843 |
| Service provided | 592 | - | 448 | - |
| Services received | - | 7,603 | - | 4,231 |
| Emoluments for corporate officiers | - | 2,955 | - | 5,650 |
| Remuneration to key management personnel | - | 12,531 | - | 17,632 |
| **Total** | **23,389** | **50,355** | **24,316** | **40,096** |

The account Financial assets with Other related parties which in 2012 included Unicredit S.p.A. and amounted to Euro 81 million was eliminated, as on July 9, 2012 the shareholder agreement between Premafin Finanziaria S.p.A. and Unicredit S.p.A. was dissolved.

The account Assets from **Group Companies** refers to:

- Euro 2.6 million of assets relating to co-insurance of Fondiaria-SAI S.p.A. with Unipol Assicurazioni S.p.A..
- Euro 2 million relating to the current account at Banca Unipol S.p.A..

The account Liabilities with **Group Companies** refers to:

- Euro 0.3 million of liabilities relating to co-insurance of Fondiaria-SAI S.p.A. with Unipol Assicurazioni S.p.A..

The account liabilities to Other related parties includes:

- Euro 0.5 million concerning the emoluments for the offices of Director and Statutory Auditor, with deferred payments in 2012.

The account Income and cash inflows relating to Other related parties principally relate to insurance operations and include:

- Euro 16.9 million for premiums of the Fondiaria SAI Group Employee Pension Fund and the Fondiaria SAI Group Senior Manager Pension Fund which were transferred to Fondiaria-SAI S.p.A. following the investment of the contributions in Life policies;
- Euro 5 million of premiums relating to Non-Life policies and Life policies.

The account Charges from Other related parties relates to:

- charges of an insurance nature and relative cash outflows due to claims settlement, against compensation for redemptions or maturity of Life policies for Euro 12.7 million; the payment of contributions on behalf of the company to the Fondiaria SAI Group Employee Pension Fund for Euro 4 million and the Fondiaria SAI Group Senior Manager Pension Fund for Euro 0.9 million, in addition to commissions paid to insurance intermediaries for Euro 0.7 million;
- charges for services received, principally deriving from technical/actuarial consultancy and legal costs principally relating to: Euro 2.3 million to the legal firm Marco Cardia, Euro 0.7 million to the company Parametrica Consulting, Euro 0.3 million to the legal firm Gismondi & Associati and Euro 0.5 million to Mr. Fausto Rapisarda;
- charges relating to emoluments for office and various compensation paid to Directors, Statutory Auditors and General Managers for Euro 3.2 million and senior management of the parent company for Euro 14.6 million (including the employment leaving indemnity paid to the General Director Mr. Piergiorgio Peluso of Euro 4.9 million).

**The financial payments to the parent company Unipol Gruppo Finanziario S.p.A:** concern the payment of commissions for the share capital increase for a total of Euro 8.7 million, against the subscription by this latter of saving shares not taken up in September.

In relation to the services received from Other Related parties we report the principal cash outflows derived from technical/actuarial and legal consultancy fees: Euro 2.7 million to the legal firm Marco Cardia, Euro 0.9 million to the company Parametrica Consulting, Euro 0.4 million to the legal firm Gismondi & Associati and Euro 0.5 million to Mr. Fausto Rapisarda.

# CASH FLOW STATEMENT AT 31.12.2012

| (in Euro thousands) | **31/12/2012** | **31/12/2011** |
|---|---|---|
| **Loss before taxes** | **(714,165)** | **(1,362,122)** |
| **Non-cash adjustments** | **338,194** | **1,620,788** |
| Change in non-life unearned premium provision | (206,582) | (3,008) |
| Change in claims provision and other non-life technical provisions | 10,039 | 564,476 |
| Change in actuarial provisions and other life technical provisions | (384,593) | (35,636) |
| Change in deferred acquisition costs | (21,490) | - |
| Change in provisions | (21,988) | 17,133 |
| Non-cash income/charges from financial instruments, property investments and holdings | 818,956 | 492,259 |
| Other changes (Gains, Losses, Release on provisions, bad debts, risk provisions, amortisation, extraordinary tax income/charges, transfer provisions to income statement) | 143,852 | 585,564 |
| **Change in payables and receivables from operating activities** | **(50,236)** | **(92,444)** |
| Change in payables and receivables from direct insurance operations and reinsurance | 90,341 | (90,685) |
| Change in other payables and receivables | (140,577) | (1,759) |
| **Income taxes paid** | **(5,633)** | **(109,613)** |
| **Net cash generated/absorbed from cash items relating to investing and financing activities** | **5,843** | **19,840** |
| Investments in which the risks are borne Life policyholders and pension fund management | 5,843 | 19,840 |
| **TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES** | **(425,997)** | ***76,449*** |

| | | |
|---|---|---|
| Net cash generated/absorbed from property investments | 33,537 | 16,829 |
| Net cash generated/absorbed from investments in subsidiaries, associated companies and joint-ventures | (19,415) | (411,523) |
| Net cash generated/absorbed from loans and receivables | (2,595) | (45,237) |
| Net cash generated/absorbed from investments in debt, equity and unit funds | (752,937) | 174,405 |
| Net cash generated/absorbed from intangible and tangible fixed assets | (77,186) | (24,196) |
| Net cash generated/absorbed from other investing activities | (4,519) | 7,579 |
| **TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES** | **(823,113)** | ***(282,143)*** |

| | | |
|---|---|---|
| Net cash generated/absorbed from Group equity instruments | 1,098,704 | 449,240 |
| Net cash generated/absorbed from treasury shares | - | - |
| Dividends distributed | - | - |
| Net cash generated/absorbed from subordinated liabilities and financial instruments in holdings | - | - |
| Net cash generated/absorbed from other financial liabilities | (39,551) | (80,200) |
| **TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES** | **1,059,153** | ***369,040*** |

| | | |
|---|---|---|
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (*) | 459,671 | 296,325 |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (189,957) | 163,346 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR (*) | 269,715 | 459,671 |

*(*) Include liquidity (F.II) and deposits at credit institutions (C.III.6)*

## KEY HIGHLIGHTS OF UNIPOL GRUPPO FINANZIARIO FOR THE YEAR-ENDED DECEMBER 31, 2011 (IN EURO MILLIONS)

The company Unipol Gruppo Finanziario carries out the management and co-ordination activities as per Article 2497 and subsequent of the Civil Code.

(Euro millions)

| **BALANCE SHEET** | | **31/12/2011** | **31/12/2010** |
|---|---|---|---|
| **ASSETS** | | | |
| **A)** | **RECEIVABLES DUE FOR UNPAID CAPITAL** | | |
| **B)** | **NON-CURRENT ASSETS** | | |
| | I. Intangible assets | 22.5 | 25.9 |
| | II. Property, plant & equipment | 1.7 | 1.1 |
| | III. Financial assets | 4,685.9 | 4,620.2 |
| | **TOTAL FIXED ASSETS** | **4,710.1** | **4,647.2** |
| **C)** | **CURRENT ASSETS** | | |
| | I. Inventory | - | - |
| | II. Receivables | 652.6 | 134.5 |
| | III. Current financial assets | 213.6 | 865.5 |
| | IV. Cash and cash equivalents | 106.8 | 326.5 |
| | **TOTAL CURRENT ASSETS** | **973.1** | **1,326.4** |
| **D)** | **PREPAYMENTS AND ACCRUED INCOME** | **10.8** | **15.4** |
| **TOTAL ASSETS** | | **5,693.9** | **5,989.0** |
| **LIABILITIES** | | | |
| **A)** | **SHAREHOLDERS' EQUITY** | | |
| | I. Share capital | 2,699.1 | 2,698.9 |
| | II. Share premium reserve | 1,144.8 | 1,144.8 |
| | III. Revaluation reserve | 20.7 | 20.7 |
| | IV. Legal reserve | 478.3 | 478.3 |
| | V. Statutory reserves | - | - |
| | VI. Reserve for own shares in portfolio | - | - |
| | VII. Other reserves | 353.4 | 417.0 |
| | VIII. Retained earnings/Acc. losses | - | - |
| | IX. Result for the year | (358.3) | (63.7) |
| | **TOTAL SHAREHOLDERS' EQUITY** | **4,337.9** | **4,696.1** |
| **B)** | **PROVISION FOR RISKS AND CHARGES** | 83.8 | 16.8 |
| **C)** | **STAFF TERMINATION PAY** | 1.6 | 2.3 |
| **D)** | **PAYABLES** | 1,228.0 | 1,228.3 |
| **E)** | **ACCRUED EXPENSES AND DEFERRED INCOME** | 42.6 | 45.5 |
| **TOTAL LIABILIITES** | | **5,693.9** | **5,989.0** |

(Euro millions)

| **INCOME STATEMENT** | | **2011** | **2010** |
|---|---|---|---|
| **A)** | **OPERATING REVENUE** | **32.0** | **33.2** |
| **B)** | **COST OF PRODUCTION** | **158.0** | **80.7** |
| | DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B) | (126.1) | (47.5) |
| **C)** | **FINANCIAL INCOME AND CHARGES** | **(70.5)** | **4.3** |
| **D)** | **ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS** | **(285.1)** | **(36.8)** |
| **E)** | **EXTRAORDINARY INCOME AND CHARGES** | **59.1** | **(6.5)** |
| | LOSS BEFORE TAXES | (422.5) | (86.5) |
| | NET LOSS FOR THE YEAR | (358.3) | (63.7) |

The key data of the parent company Unipol Gruppo Finanziario, shown in the summary statement required to be presented under Article 2497 *bis* of the Civil Code has been sourced from the Financial Statements at 31/12/2011, which, accompanied by the Auditors' Report, is available in the form and manner prescribed by law.
Therefore, this key data of Unipol Gruppo Finanziario S.p.A. is not included in the audit activity undertaken by the Independent Audit Firm appointed by us.

For an adequate and complete understanding of the balance sheet and financial position of the Parent Company, as well as the result of the company for the year, reference should be made to the financial statements, together with the reports of the Independent Audit Firm and the Board of Statutory Auditors, available at the registered office of the Company Via Stalingrado 45, Bologna or on the Company's website www.unipol.it.

## EXCHANGE RATES

The exchange rates of the principal currencies utilised for the conversion of the balance sheet accounts are as follows:

| | 2012 | 2011 |
|---|---|---|
| US Dollar | 1.3194 | 1.2939 |
| UK Sterling | 0.8161 | 0.8353 |
| Japanese Yen | 113.61 | 100.2 |
| Swiss Franc | 1.2072 | 1.2156 |
| Serbian Dinar | 112.605 | 106.177 |

*Bologna, March 20, 2013*

*For the Board of Directors*
*The Chairman*
Mr. Fabio Cerchiai

# DECLARATION OF THE FINANCIAL STATEMENTS AS PER ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned Carlo Cimbri (as Chief Executive Officer of Fondiaria-SAI) and Massimo Dalfelli (as Executive responsible for the preparation of the corporate accounting documents of Fondiaria-SAI) declare, and also in consideration of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:
   - the conformity in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures for the compilation of the financial statements for the period January 1, 2012 – December 31, 2012.

2. The assessment of the adequacy of the accounting and administrative procedures for the preparation of the financial statements at December 31, 2012 is based on a Model defined by Fondiaria-SAI in accordance with the "Internal Control – Integrated Framework" and "Cobit" which represent benchmarks for internal control systems generally accepted at international level.

3. We also declare that:

3.1. the Financial Statements at 31/12/2012:

   a) correspond to the underlying accounting documents and records;
   b) were prepared in conformity with law, making reference to the principles issued by the Italian Accounting Board for interpretative purposes and provide a true and correct representation of the economic, balance sheet and financial situation of the issuer.

3.2 The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer together with a description of the principal risks and uncertainties to which they are exposed.

*Bologna, March 20, 2013*

*The Chief Executive Officer*

Mr. Carlo CIMBRI

*The Executive Responsible*
*for preparation of the company's financial statements*

Mr. Massimo DALFELLI

# Attachments to the Financial Statements

- **List of direct and indirect investments of more than 10% in non-listed companies**
- **Statement of change in Shareholders’ Equity**
- **Statement as per Article 10 of Law No. 19/3/83**
- **Buildings owned**

## List of direct and indirect holdings in non-listed companies of above 10% of the share capital at 31/12/2012

(In accordance with Articles 125-126 of CONSOB Resolution No. 11971 of 14/05/1999)

### FONDIARIA-SAI S.P.A. IS THE OWNER AS AT 31/12/2012 OF THE FOLLOWING SHARES/QUOTAS WITH VOTING RIGHTS

| Company name<br>Registered office | Company holding | Voting shares held | % holding | % Total |
|---|---|---|---|---|
| APB CAR SERVICE SRL<br>Italy | Auto Presto&Bene S.p.A. | 10,000 | 100.000 | 100.000 |
| ATA BENESSERE SRL<br>in liquidation<br>Italy | Atahotels<br>Compagnia italiana Aziende Turistiche Alberghiere S.p.A. | 100,000 | 100.000 | 100.000 |
| ATAHOTELS Compagnia italiana Aziende Turistiche Alberghiere S.p.A.<br>Italy | Fondiaria-SAI S.p.A.<br>Milano Assicurazioni S.p.A. | 7,650,000<br>7,350,000 | 51.000<br>49.000 | 100.000 |
| ATAVALUE SRL<br>Italy | Sai Holding Italia S.p.A. | 10,000 | 100.000 | 100.000 |
| AUTO PRESTO&BENE SPA<br>Italy | Fondiaria-SAI S.p.A. | 2,619,061 | 100.000 | 100.000 |
| A7 SRL<br>in liquidation<br>Italy | Immobiliare Milano Assicurazioni s.r.l. | 40,000 | 20.000 | 20.000 |
| BANCASAI SPA<br>Italy | Fondiaria-SAI S.p.A. | 1,166,771,610 | 100.000 | 100.000 |
| BIM VITA SPA<br>Italy | Fondiaria-SAI S.p.A. | 5,750,000 | 50.000 | 50.000 |
| BORSETTO SRL<br>Italy | Immobiliare Milano Assicurazioni s.r.l. | 1,335,149 | 44.928 | 44.928 |
| BRAMANTE SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,000 | 100.000 | 100.000 |
| BUTTERFLY AM SARL<br>Luxembourg | Immobiliare Fondiaria-SAI s.r.l. | 6,666 | 28.570 | 28.570 |
| CAMPO CARLO MAGNO SPA<br>Italy | Milano Assicurazioni S.p.A. | 18,622,400 | 100.000 | 100.000 |
| CARPACCIO SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,000 | 100.000 | 100.000 |
| CASA di CURA VILLA DONATELLO SPA – Italy | Fondiaria-SAI S.p.A. | 70,000 | 100.000 | 100.000 |
| CASCINE TRENNO SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,000 | 100.000 | 100.000 |
| CENTRO ONCOLOGICO FIORENTINO CASA di CURA VILLANOVA SRL – Italia | Fondiaria-SAI S.p.A. | 350,000 | 100.000 | 100.000 |

| Company name<br>Registered office | Company holding | Voting share held | % holding | % Total |
|---|---|---|---|---|
| CITTÀ DELLA SALUTE SCRL<br>Italy | Casa di Cura Villa Donatello S.p.A.<br>Centro Oncologico Fiorentino -<br>Casa di Cura Villanova s.r.l.<br>Donatello Day Surgery s.r.l.<br>Florence Centro di Chirurgia Ambulatoriale s.r.l. | 50,000<br><br>45,000<br>2,500<br>2,500 | 50.000<br><br>45.000<br>2.500<br>2.500 | 100.000 |
| COMPAGNIA TIRRENA DI ASSICURAZIONI SPA<br>in volutary liquidation<br>Italy | Milano Assicurazioni S.p.A. | 3,900,000 | 11.143 | 11.143 |
| CASTELLO CONSORTIUM<br>Italy | Nuove Iniziative Toscane s.r.l. | 399,276 | 99.570 | 99.570 |
| CONSORZIO SERVIZI TECNOLOGICI SCRL<br>Italy | Fondiaria-SAI S.p.A.<br>Gruppo Fondiaria SAI Servizi S.c.r.l.<br>Milano Assicurazioni S.p.A. | 3,500<br>9,500<br>2,000 | 3.500<br>9.500<br>2.000 | 15.000 |
| CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA<br>Italy | Fondiaria-SAI S.p.A. | 601,400 | 30.070 | 30.070 |
| DDOR AUTO DOO<br>Serbia | Ddor Novi Sad A.D.O. | 1 | 100.000 | 100.000 |
| DDOR GARANT<br>Serbia | Ddor Novi Sad A.D.O<br>Ddor Re Joint Stock Reinsurance Company | 8,472<br>1,968 | 32.460<br>7.540 | 40.000 |
| DDOR NOVI SAD A.D.O.<br>Serbia | Fondiaria-SAI S.p.A. | 2,114,285 | 99.993 | 99.993 |
| DDOR RE JOINT STOCK REINSURANCE COMPANY<br>Serbia | Ddor Novi Sad A.D.O<br>The Lawrence Re Ireland Ltd. | 1<br>49,999 | 0.002<br>99.998 | 100.000 |
| DIALOGO ASSICURAZIONI SPA<br>Italy | Milano Assicurazioni S.p.A. | 8,818,363 | 99.848 | 99.848 |
| DOMINION INSURANCE HOLDINGS LTD<br>Great Britain | Finsai International S.A. | 50,780,305 | 100.000 | 100.000 |
| DONATELLO DAY SURGERY SRL<br>Italy | Centro Oncologico Fiorentino - Casa di Cura Villanova s.r.l. | 20,000 | 100.000 | 100.000 |
| EUROPA TUTELA GIUDIZIARIA SPA<br>Italy | Fondiaria-SAI S.p.A. | 2,000,000 | 100.000 | 100.000 |
| EUROSAI FINANZIARIA DI PARTECIPAZIONI SRL<br>Italy | Fondiaria-SAI S.p.A. | 100,000 | 100.000 | 100.000 |
| EX VAR SCA<br>Luxembourg | Fondiaria-SAI S.p.A.<br>Immobiliare Milano Assicurazioni s.r.l. | 4,537<br>2,523 | 12.189<br>6.778 | 18.968 |
| FINADIN SPA FINANZIARIA DI INVESTIMENTI<br>Italy | Saifin Saifinanziaria S.p.A. | 40,000,000 | 40.000 | 40.000 |
| FINITALIA SPA<br>Italy | BancaSai S.p.A. | 15,376,285 | 100.000 | 100.000 |
| FIN.PRIV. SRL<br>Italy | Fondiaria-SAI S.p.A. | 5,714 | 28.571 | 28.571 |

| Company name<br>Registered office | Company holding | Voting shares held | % holding | % Total |
|---|---|---|---|---|
| FINSAI INTERNATIONAL S.A.<br>Luxemboug | Fondiaria-SAI S.p.A.<br>Sailux S.A.<br>Sainternational S.A. | 80,000<br>145,183<br>176,383 | 19.922<br>36.154<br>43.924 | 100.000 |
| FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL<br>Italy | Centro Oncologico Fiorentino – Casa di Cura Villanova s.r.l. | 10,400 | 100.000 | 100.000 |
| FONDIARIA-SAI NEDERLAND BV<br>Holland | Fondiaria-SAI S.p.A. | 1,907 | 100.000 | 100.000 |
| FONDIARIA-SAI SERVIZI TECNOLOGICI SPA<br>Italy | Fondiaria-SAI S.p.A. | 61,200 | 51.000 | 51.000 |
| GARIBALDI SCA<br>Luxembourg | Milano Assicurazioni S.p.A. | 9,920 | 32.000 | 32.000 |
| GRUPPO FONDIARIA SAI SERVIZI SCRL<br>Italy | Auto Presto&Bene S.p.A.<br>BancaSai S.p.A.<br>Bim Vita S.p.A.<br>Dialogo Assicurazioni S.p.A.<br>Europa Tutela Giudiziaria S.p.A.<br>Finitalia S.p.A.<br>Fondiaria-SAI S.p.A.<br>Immobiliare Lombarda S.p.A.<br>Incontra Assicurazioni S.p.A.<br>Liguria Società di Assicurazioni S.p.A.<br>Liguria Vita S.p.A.<br>Milano Assicurazioni S.p.A.<br>Pronto Assistance Servizi S.c.a.r.l.<br>Pronto Assistance S.p.A.<br>Sai Mercati Mobiliari – Società di Intermediazione mobiliare S.p.A.<br>SIAT – Società Italiana Assicurazioni e Riassicurazioni S.p.A.<br>Systema Compagnia di Assicurazioni S.p.A.<br>The Lawrence Re Ireland Ltd. | 2,000<br>2,000<br>2,000<br>20,000<br>2,000<br>2,000<br>6,416,472<br>2,000<br>2,000<br>2,000<br>2,000<br>3,421,000<br>2,000<br>90,000<br>2,000<br>10,528<br>18,000<br>2,000 | 0.020<br>0.020<br>0.020<br>0.200<br>0.020<br>0.020<br>64.165<br>0.020<br>0.020<br>0.020<br>0.020<br>34.210<br>0.020<br>0.900<br>0.020<br>0.105<br>0.180<br>0.020 | 100.000 |
| HINES ITALIA SGR SPA<br>Italy | Fondiaria-SAI S.p.A. | 368,866 | 18.000 | 18.000 |
| HOTEL TERME DI SAINT VINCENT SRL<br>Italy | Atahotels<br>Compagnia italiana Aziende Turistiche Alberghiere S.p.A. | 15,300 | 100.000 | 100.000 |
| IMMOBILIARE FONDIARIA-SAI SRL<br>Italia | Fondiaria-SAI S.p.A. | 20,000 | 100.000 | 100.000 |
| IMMOBILIARE LITORELLA SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,329 | 100.000 | 100.000 |
| IMMOBILIARE LOMBARDA SPA<br>Italy | Fondiaria-SAI S.p.A.<br>Milano Assicurazioni S.p.A. | 92,458,632<br>51,620,836 | 64.172<br>35.828 | 100.000 |
| IMMOBILIARE MILANO ASSICURAZIONI SRL<br>Italy | Milano Assicurazioni S.p.A. | 20,000 | 100.000 | 100.000 |

| Company name<br>Registered office | Company holding | Voting share held | % holding | % Total |
|---|---|---|---|---|
| INCONTRA ASSICURAZIONI SPA<br>Italy | Fondiaria-SAI S.p.A. | 2,652,000 | 51.000 | 51.000 |
| INIZIATIVE VALORIZZAZIONI EDILI – IN V.ED. SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,329 | 100.000 | 100.000 |
| INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 500,000 | 100.000 | 100.000 |
| ISOLA SCA<br>Luxembourg | Milano Assicurazioni S.p.A. | 9,164 | 29.561 | 29.561 |
| ISTITUTO EUROPEO DI ONCOLOGIA SRL<br>Italy | Fondiaria-SAI S.p.A.<br>Milano Assicurazioni S.p.A. | 10,186,526<br>1,394,536 | 12.642<br>1.731 | 14.372 |
| ITAL H&R SRL<br>Italy | Italresidence s.r.l. | 50,000 | 100.000 | 100.000 |
| ITALRESIDENCE SRL<br>Italy | Atahotels<br>Compagnia italiana Aziende Turistiche Alberghiere S.p.A. | 100,000 | 100.000 | 100.000 |
| LIGURIA SOCIETÀ DI ASSICURAZIONI SPA<br>Italy | Milano Assicurazioni S.p.A. | 36,788,443 | 99.969 | 99.969 |
| LIGURIA VITA SPA<br>Italy | Liguria Società di Assicurazioni S.p.A. | 1,200,000 | 100.000 | 100.000 |
| MARINA DI LOANO SPA<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 5,536 | 100.000 | 100.000 |
| MASACCIO SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,000 | 100.000 | 100.000 |
| MERIDIANO AURORA SRL<br>Italy | Fondiaria-SAI S.p.A. | 10,000 | 100.000 | 100.000 |
| MERIDIANO BELLARMINO SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,000 | 100.000 | 100.000 |
| MERIDIANO BRUZZANO SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,000 | 100.000 | 100.000 |
| MERIDIANO PRIMO SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,000 | 100.000 | 100.000 |
| MERIDIANO SECONDO SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,000 | 100.000 | 100.000 |
| METROPOLIS SPA in liquidazione<br>Italy | Immobiliare Milano Assicurazioni s.r.l. | 332,976 | 29.711 | 29.711 |
| MIZAR SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,329 | 100.000 | 100.000 |
| NUOVA IMPRESA EDIFICATRICE MODERNA SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,329 | 100.000 | 100.000 |
| NUOVE INIZIATIVE TOSCANE SRL<br>Italia | Fondiaria-SAI S.p.A.<br>Milano Assicurazioni S.p.A. | 48,440,000<br>1,560,000 | 96.880<br>3.120 | 100.000 |
| OPEN MIND INVESTMENTS SCA SICAR<br>Luxembourg | Fondiaria-SAI S.p.A. | 467,235 | 65.854 | 65.854 |

| Company name<br>Registered office | Company holding | Voting share held | % holding | % Total |
|---|---|---|---|---|
| PENTA DOMUS SPA<br>Italy | Immobiliare Milano Assicurazioni s.r.l. | 2,164,000 | 20.000 | 20.000 |
| PONTORMO SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 50,000 | 100.000 | 100.000 |
| POPOLARE VITA SPA<br>Italy | Fondiaria-SAI S.p.A.<br>Sai Holding Italia S.p.A. | 10,711,003<br>11,248,998 | 24.388<br>25.612 | 50.000 |
| PROGETTO ALFIERE SPA<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 900,600 | 19.000 | 19.000 |
| PROGETTO BICOCCA LA PIAZZA SRL in liquidazione<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 2,332,332 | 74.000 | 74.000 |
| PRONTO ASSISTANCE SERVIZI SCARL<br>Italy | BancaSai S.p.A.<br>Dialogo Assicurazioni S.p.A.<br>Fondiaria-SAI S.p.A.<br>Gruppo Fondiaria-SAI Servizi S.c.r.l<br>Incontra Assicurazioni S.p.A.<br>Liguria Società di Assicurazioni S.p.A.<br>Milano Assicurazioni S.p.A.<br>Pronto Assistance S.p.A.<br>Systema Compagnia di Assicurazioni S.p.A. | 516<br>123,840<br>192,984<br>516<br>774<br>11,352<br>144,480<br>39,732<br>1,806 | 0.100<br>24.000<br>37.400<br>0.100<br>0.150<br>2.200<br>28.000<br>7.700<br>0.350 | 100.000 |
| PRONTO ASSISTANCE SPA<br>Italy | Fondiaria-SAI S.p.A. | 2,500,000 | 100.000 | 100.000 |
| RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO. SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,329 | 100.000 | 100.000 |
| SAI HOLDING ITALIA SPA<br>Italy | Fondiaria-SAI S.p.A. | 50,000,000 | 100.000 | 100.000 |
| SAI INVESTIMENTI SGR SPA<br>Italy | Fondiaria-SAI S.p.A.<br>Milano Assicurazioni S.p.A. | 1,995,930<br>1,134,940 | 51.000<br>29.000 | 80.000 |
| SAI MERCATI MOBILIARI – SOC. DI INTERMEDIAZIONE MOBILIARE SPA<br>Italy | Fondiaria-SAI S.p.A. | 13,326,395 | 100.000 | 100.000 |
| SAIAGRICOLA SPA -<br>Società Agricola<br>Italy | Fondiaria-SAI S.p.A.<br>Milano Assicurazioni S.p.A.<br>Pronto Assistance S.p.A. | 60,722,765<br>4,490,641<br>786,594 | 92.004<br>6.804<br>1.192 | 100.000 |
| SAIFIN SAIFINANZIARIA SPA<br>Italy | Fondiaria-SAI S.p.A. | 102,258,000 | 100.000 | 100.000 |
| SAILUX S.A.<br>Luxembourg | Finsai International S.A.<br>Saifin Saifinanziaria S.p.A. | 10<br>9,387,800 | 0.000<br>99.999 | 100.000 |
| SAINT GEORGE CAPITAL MANAGEMENT S.A.<br>Switzerland | Saifin Saifinanziaria S.p.A. | 30,000 | 100.000 | 100.000 |
| SAINTERNATIONAL S.A.<br>Luxembourg | Fondiaria-SAI S.p.A. | 15,400,000 | 100.000 | 100.000 |

| Company name<br>Registered office | Company holding | Voting share held | % holding | % Total |
|---|---|---|---|---|
| SCONTOFIN S.A.<br>Luxembourg | Sailux S.A. | 950 | 19.000 | 19.000 |
| SERVICE GRUPPO FONDIARIA-SAI SRL<br>Italy | Fondiaria-SAI S.p.A.<br>Milano Assicurazioni S.p.A. | 140,000<br>60,000 | 70.000<br>30.000 | 100.000 |
| SERVIZI IMM. MARTINELLI SPA<br>Italy | Immobiliare Milano Assicurazioni s.r.l. | 200 | 20.000 | 20.000 |
| SIAT - SOC. ITALIANA ASS.NI E RIASSICURAZIONI SPA<br>Italy | Sai Holding Italia S.p.A. | 35,983,610 | 94.694 | 94.694 |
| SIM ETOILE S.A.S<br>France | Fondiaria-SAI S.p.A. | 200,002 | 100.000 | 100.000 |
| SINTESI SECONDA SRL<br>Italy | Immobiliare Milano Assicurazioni s.r.l. | 10,400 | 100.000 | 100.000 |
| SOAIMPIANTI-ORGANISMI DI ATTESTAZIONE SRL in liq.<br>Italy | Fondiaria-SAI S.p.A. | 18,307 | 21.639 | 21.639 |
| SOCIETÀ EDILIZIA IMMOBILIARE SARDA – S.E.I.S. SPA – Italy | Immobiliare Fondiaria-SAI s.r.l. | 387,500 | 51.667 | 51.667 |
| SOCIETÀ FINANZIARIA PER LE GEST.ASS.VE SRL in liq.<br>Italy | Fondiaria-SAI S.p.A.<br>Milano Assicurazioni S.p.A. | 13,931,807<br>7,012,859 | 14.907<br>7.504 | 22.411 |
| SOCIETÀ FUNIVIE DEL PICCOLO S. BERNARDO SPA – Italy | Immobiliare Fondiaria-SAI s.r.l. | 1,441,691 | 27.384 | 27.384 |
| SOFINPA SPA<br>Italy | Saifin Saifinanziaria S.p.A. | 2,400,000 | 30.573 | 30.573 |
| SOGEINT SRL<br>Italy | Milano Assicurazioni S.p.A. | 100,000 | 100.000 | 100.000 |
| SRP ASSET MANAGEMENT S.A.<br>Switzerland | Sainternational S.A. | 1,000 | 100.000 | 100.000 |
| STIMMA SRL<br>Italy | Fondiaria-SAI S.p.A. | 10,000 | 100.000 | 100.000 |
| SVILUPPO CENTRO EST SRL<br>Italy | Immobiliare Milano Assicurazioni s.r.l. | 4,000 | 40.000 | 40.000 |
| SYSTEMA COMPAGNIA DI ASSICURAZIONI SPA<br>Italy | Milano Assicurazioni S.p.A. | 10,000 | 100.000 | 100.000 |
| THE LAWRENCE LIFE ASSURANCE COMPANY LTD<br>Ireland | Popolare Vita S.p.A. | 802,886 | 100.000 | 100.000 |
| THE LAWRENCE RE IRELAND LTD<br>Ireland | Fondiaria-SAI Nederland BV | 635,000 | 100.000 | 100.000 |
| TOUR EXECUTIVE SRL<br>Italy | Atahotels<br>Compagnia italiana Aziende Turistiche Alberghiere S.p.A. | 118,300 | 100.000 | 100.000 |
| TRENNO OVEST SRL<br>Italy | Immobiliare Fondiaria-SAI s.r.l. | 10,000 | 100.000 | 100.000 |

| Company name<br>Registered office | Company holding | Voting share held | % holding | % Total |
|---|---|---|---|---|
| UFFICIO CENTRALE ITALIANO SCARL<br>Italy | Dialogo Assicurazioni S.p.A. | 1 | 0.000 | 25.017 |
| | Fondiaria-SAI S.p.A. | 141,358 | 13.859 | |
| | Incontra Assicurazioni S.p.A. | 24 | 0.002 | |
| | Liguria Società di Assicurazioni S.p.A. | 3,093 | 0.303 | |
| | Milano Assicurazioni S.p.A. | 109,752 | 10.760 | |
| | SIAT – Società italiana Assicurazioni e Riassicurazioni S.p.A. | 948 | 0.093 | |
| | Systema Compagnia di Assicurazioni S.p.A. | 2 | 0.000 | |
| VALORE IMMOBILIARE SRL<br>Italy | Milano Assicurazioni S.p.A. | 5,000 | 50.000 | 50.000 |
| VILLA RAGIONIERI SRL<br>Italy | Fondiaria-SAI S.p.A. | 150,000 | 100.000 | 100.000 |
| WAVE TECHNOLOGIES SRL<br>Italy | Fondiaria-SAI S.p.A. | 14,925 | 15.000 | 15.000 |

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY IN 2012**

| (Euro thousand) | Share capital | Legal reserve | Share premium reserve | Share premium rights not exercised | Extraordinary reserve | Merger surplus reserve | Revaluation reserve on securities | Reserve as per Art. 10 Law 904 of 16/12/77 | Revaluation reserve as per Law 72 of 19/3/83 | Reserve as per Art. 26 Law 413 of 30/12/91 | Dividend adjustment reserve | Treasury shares undistributable reserve | Undistri. Reserve holding company shares Leg. Dec. 315/94 | Reserve for purchase of treasury shares | Reserve for purchase holding company shares | Reserve 742/1986 | Merger surplus | Net result for the year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE AT DECEMBER 31, 2011** | 494,731 | 35,536 | 331,230 | 4,564 | 216,692 | 422 | 58,029 | 6,944 | 38,215 | 96,838 | 2,853 | 1,982 | 2,289 | 2,500 | 500 | 113,214 | 865,185 | -1,020,368 |
| **Allocation of 2011 result, as per Shareholders' Meeting resolution:** | | | | | | | | | | | | | | | | | | |
| Legal reserve | | | | | | | | | | | | | | | | | | |
| Extraordinary reserve | | | | | -216,692 | | | | | | | | | | | | | 216,692 |
| Reserve for purchase of treasury shares | | | | | | | | | | | | | | -2,000 | | | | 2,000 |
| Reserve for purchase of holding company's shares | | | | | | | | | | | | | | | -200 | | | 200 |
| Merger surplus reserve | | | | | | -422 | | | | | | | | | | | 0 | 422 |
| Share premium reserve rights not exercised | | | | -4,564 | | | | | | | | | | | | | | 4,564 |
| Revaluation reserve | | | | | | | -58,029 | -6,944 | -38,215 | -96,838 | | | | | | | | 200,025 |
| Reserve as per Law 742/86 | | | | | | | | | | | | | | | | -113,214 | | 113,214 |
| Merger surplus reserve from cancellation/share swap | | | | | | | | | | | | | | | | | -483,253 | 483,253 |
| **Changes arising from share capital increase:** | | | | | | | | | | | | | | | | | | |
| Share capital | 699,842 | | | | | | | | | | | | | | | | | |
| Share premium reserve | | | 398,850 | | | | | | | | | | | | | | | |
| Savings shares subscribed capital increases | | | | 13 | | | | | | | | | | | | | | |
| **Other changes:** | | | | | | | | | | | | | | | | | | |
| T/f from purchase holding company's shares Leg. Decree 315/94 | | | | | -36 | | | | | | | | 36 | | | | | |
| T/f from/to extraordinary reserve | | | | | 500 | | | | | | | | | -500 | | | | |
| to/from reserve for purchase of treasury shares | | | | | -500 | | | | | | | | | 500 | | | | |
| T/f from/to dividend reserve | | | | | | | | | | | | | 0 | | | | | |
| from/to reserve non distributable treasury shares | | | | | 1,952 | | | | | | | -1,952 | 0 | | | | | |
| T/f from/to extraordinary reserve | | | | | 300 | | | | | | | | | | -300 | | | |
| to/from reserve for purchase holding shares | | | | | -300 | | | | | | | | | | 300 | | | |
| T/f from/to dividend reserve to/from non distributable reserve holding shares | | | | | -64 | | | | | | | | 64 | | | | | |
| Result Year 2012 | | | | | | | | | | | | | | | | | | -722,724 |
| **BALANCE AT DECEMBER 31, 2012** | **1,194,573** | **35,536** | **730,079** | **13** | **1,851** | **0** | **0** | **0** | **0** | **0** | **2,853** | **30** | **2,389** | **500** | **300** | **0** | **381,932** | **-722,724** |

**Schedule of property held for which monetary revaluations were made in accordance with Article 2425, paragraph 3 of the civil code supplemented by Legislative Decree 127/91 (in accordance with Article 10 of Law 72 of March 19, 1983) are shown below.**

| | At 31/12/12 Book value of property held revalued | Revaluations made | | | |
|---|---|---|---|---|---|
| | | Monetary revaluations | Economic revaluations | Law No. 413 of 30.12.91 | TOTAL |
| Property used for business activities | 4,795,836 | 87,176 | 1,356,412 | 846,857 | 2,290,445 |
| Property used by third parties | 557,146,523 | 10,986,878 | 76,792,060 | 26,868,973 | 114,647,910 |
| Agricultural holdings | 3,227,009 | - | - | 83,026 | 83,026 |
| Shareholdings in Italian companies and entities: - listed | 1,383,692,881 | 1,712,319 | 89,816,695 | - | 91,529,014 |
| Shareholdings in Italian companies and entities: - non-listed | 113,633,770 | - | 15,272,131 | - | 15,272,131 |
| Shareholdings in Foreign companies and entities: - non-listed | 126,313,722 | 5,813,909 | 3,986,277 | - | 9,800,186 |
| | 2,188,809,741 | 18,600,282 | 187,223,574 | 27,798,856 | 233,622,712 |

# Buildings owned at 31/12/2012 – Changes in the year

| | | Situation at 31/12/2011 | Purchases, expenses and improvements | Sales and decreases | Total | Situation at 31/12/2012<br>Used in operations | Leased third parties | Residential |
|---|---|---|---|---|---|---|---|---|
| PROPERTY | | | | | | | | |
| CALENZANO | VIA DEGLI OLMI, 7 | 11,106,226 | | 449,782 | 10,656,444 | | 10,656,444 | |
| CAMOGLI | FABBRICATI - VIA GAGGINI,1 | 102,566 | | 4,217 | 98,349 | | 25,094 | 73,255 |
| | VIA GAGGINI,1 (HOTEL KULM) | 12,827,510 | | 1,012,980 | 11,814,530 | | 11,814,530 | |
| | VIA ROMANA 215 | 279,340 | | | 279,340 | | | 279,340 |
| FERRARA | C.SO ERCOLE, 1', 6A | 1,462,773 | | | 1,462,773 | | 1,462,773 | |
| FLORENCE | P.ZZA LIBERTA', 13 | 13,619,171 | | | 13,619,171 | | 11,932,634 | 1,686,536 |
| | P.ZZA LIBERTA', 1N-1-2R | 1,920,622 | | | 1,920,622 | | 247,652 | 1,672,971 |
| | P.ZZA LIBERTA', 2- V. S. GALLO, 123 | 11,439,467 | 24,403 | | 11,463,870 | | 5,930,412 | 5,533,458 |
| | P.ZZA LIBERTA', 9-11 | 9,582,649 | | | 9,582,649 | | 9,582,649 | |
| | PIAZZA DELLA REPUBBLICA, 6 | 62,979,245 | | | 62,979,245 | | 61,773,138 | 1,206,108 |
| | VIA BARACCA, 18 | 1,907,538 | | 396,594 | 1,510,944 | | 1,510,944 | |
| | VIA BENIVIENI, 1-3 | 4,604,149 | | | 4,604,149 | | 992,785 | 3,611,364 |
| | V. CAMPO D'ARRIGO, 134 | 2,971,809 | 2,959 | 522,730 | 2,452,038 | | 1,115,126 | 1,336,912 |
| | VIA CAVOUR, 82-84 | 9,919,401 | | | 9,919,401 | | 9,919,401 | |
| | V. L.IL MAGNIFICO, 2-4-6 | 8,509,273 | | | 8,509,273 | | 8,509,273 | |
| | V.LANDINI/V.CATALANI,8 | 3,284,042 | | 855,426 | 2,428,616 | | 2,207,756 | 220,860 |
| | VIA LEONE X, 3 | 2,583,625 | | 2,583,625 | 0 | | | |
| | VIA PALCHETTI 1/3/5 | 4,849,686 | | | 4,849,686 | | 1,271,175 | 3,578,511 |
| | VIA PIAN DEI GIULLARI, 69/71 | 3,136,426 | | | 3,136,426 | | | 3,136,426 |
| | V. PIER CAPPONI, 99 | 701,236 | | | 701,236 | | 492,373 | 208,863 |
| | VIA RICASOLI, 48 | 4,147,950 | | 255,357 | 3,892,593 | | 421,437 | 3,471,156 |
| | VIA S. REPARATA, 97 | 3,570,977 | | | 3,570,977 | | 3,570,977 | |
| | VIA S. LEONARDO 32-34-36A | 3,643,750 | | | 3,643,750 | | | 3,643,750 |
| | VIA S. LEONARDO, 44 | 2,779,859 | 131,295 | | 2,911,154 | | | 2,911,154 |
| | VIA SAN LEONARDO, 46-48-6/R | 3,332,169 | | | 3,332,169 | | | 3,332,169 |
| | VIA VANNUCCI, 23 | 1,576,835 | | | 1,576,835 | | 171,097 | 1,405,738 |

# Buildings owned at 31/12/2012 – Changes in the year

| | | Situation at 31/12/2011 | Purchases, expenses and improvements | Sales and decreases | Total | Situation at 31/12/2012 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Used in operations | Leased third parties | Residential |
| | VIA VITTORIO EMANUELE, 26 | 1,766,186 | | | 1,766,186 | | | 1,766,186 |
| | V.LE GRAMSCI, 63 | 4,775,454 | | | 4,775,454 | | 1,050,742 | 3,724,712 |
| | V.LE LAVAGNINI, 3-5 | 1,933,255 | | 207,138 | 1,726,117 | | | 1,726,117 |
| | V.LE MATTEOTTI, 14-16-18 | 21,868,228 | 558 | 3,145,956 | 18,722,830 | | 18,722,830 | |
| | V.LE MATTEOTTI, 50 | 4,727,465 | 48,944 | | 4,776,409 | | 4,466,096 | 310,314 |
| | V.LE MATTEOTTI, 52 | 6,291,765 | | 1,046,110 | 5,245,655 | | 5,245,655 | |
| | V.LE MATTEOTTI, 54 | 3,948,136 | | | 3,948,136 | | 819,901 | 3,128,235 |
| | V.LE MATTEOTTI, 56 | 2,336,778 | | | 2,336,778 | | | 2,336,778 |
| | V. MATTEOTTI, 60 | 9,902,389 | | 217,438 | 9,684,951 | | 6,864,815 | 2,820,136 |
| | V.LE MATTEOTTI, 64 | 4,321,643 | | | 4,321,643 | | 1,158,732 | 3,162,911 |
| | V.LE S. LAVAGNINI, 7 | 4,612,496 | 211,176 | 240,383 | 4,583,289 | | 8,118 | 4,575,171 |
| | VIA SALVAGNOLI 4/6 | 8,158,000 | | | 8,158,000 | | 8,158,000 | |
| GENOA | P.ZA FERRARI, 1 | 32,554,969 | | 3,595,389 | 28,959,580 | | 28,959,580 | |
| GIARDINI TAORMINA | VIA RECANATI,26 | 63,059,003 | | 21,401,591 | 41,657,412 | | 41,657,412 | |
| IVREA | VIALE MONTE STELLA 6 | 562,102 | | | 562,102 | | 435,780 | 126,322 |
| MILAN | VIA FIORI CHIARI 24/A (AREA MADONNINA) | 10,877,275 | 118 | 1,539,388 | 9,338,005 | | 2,259,400 | 7,078,605 |
| | AREA S. SAN GIOVANNI - VIA MILANESE 300 | 42,326,170 | | | 42,326,170 | | 42,326,170 | |
| | P.ZA VELASCA 5 | 86,528,902 | 115,840 | | 86,644,742 | | 51,557,156 | 35,087,586 |
| | V.OLDOFREDI 51 | 1,072,292 | | | 1,072,292 | | 18,970 | 1,053,322 |
| | VIA PEROTTI, 2 | 2,595,939 | | | 2,595,939 | | 2,595,939 | |
| | V. TRECCANI DEGLI ALFIERI 16-26 | 18,390,537 | | | 18,390,537 | | 574,664 | 17,815,873 |
| | VIALE MONZA 139 | 22,408,356 | | 2,225,479 | 20,182,877 | | 20,182,877 | |
| | FABBRICATI LOCALITA' BRUZZANO | 924,341 | | 168,902 | 755,439 | | 755,439 | |
| | VIA MELZI D'ERIL 34 | 19,854,000 | 2,224 | 4,019,223 | 15,837,001 | | 15,837,001 | |
| | VIALE BOEZIO 20 | 21,347,176 | | | 21,347,176 | | 21,347,176 | |
| | TORRE GALFA - VIA FARA 41 | 50,500,000 | | 13,420,400 | 37,079,600 | | 37,079,600 | |
| | V.MONTI 21 | 10,983,826 | | 5,179 | 10,978,647 | | 4,406,743 | 6,571,904 |

# Buildings owned at 31/12/2012 – Changes in the year

| | | Situation at 31/12/2011 | Purchases, expenses and improvements | Sales and decreases | Situation at 31/12/2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Total | Used in operations | Leased third parties | Residential |
| MONCALIERI | STR. FERRERO DI CAMBIANO 20 | 6,658,709 | | 336,526 | 6,322,183 | 5,350,015 | | 972,168 |
| | V.POSTIGLIONE,18 -V. VITTIME DEL VAJONT, 4 | 5,557,609 | | | 5,557,609 | 4,747,978 | 809,631 | |
| ORIGGIO | VIALE ITALIA, 6 | 684,853 | | 684,853 | 0 | | | |
| PIEVE EMANUELE | V.DELLE ROSE, 6 | 7,624,637 | 28,874 | | 7,653,511 | | 109,827 | 7,543,684 |
| PRATO | V. SIMINTENDI, 20 | 5,238,565 | | 341,060 | 4,897,505 | | 4,897,505 | |
| ROME | V.CARLO EMANUELE I, 7 | 484,935 | | | 484,935 | | 484,935 | |
| | VIA GOVONI 24/43 | 51,116,766 | 1,067,461 | | 52,184,227 | | | 52,184,227 |
| S.MARGHERITA LIGURE | VIA DOLCINA 18 | 185,627 | | | 185,627 | | 11,713 | 173,914 |
| SELARGIUS (CA) | V.PERETTI | 1,619,734 | | | 1,619,734 | 1,564,929 | 54,805 | |
| TURIN | C.DANTE 119 | 3,618,314 | 831 | | 3,619,145 | | 1,069,847 | 2,549,298 |
| | C.G.GALILEI 12-14 | 36,713,608 | | 234,416 | 36,479,192 | | 36,479,192 | |
| | C.MATTEOTTI 51/V.S.ANTONIO DA PAD.2 | 5,267,530 | 78,871 | | 5,346,401 | | 2,968,601 | 2,377,800 |
| | C. V. EMANUELE II 48 | 23,407,768 | | 1,274,203 | 22,133,565 | | 22,133,565 | |
| | P.CASTELLO 153/V.GARIBALDI 1 | 1,667,589 | | | 1,667,589 | | 1,667,589 | |
| | PIAZZA GUALA, 143 | 10,151,448 | | | 10,151,448 | | 10,151,448 | |
| | V.ARSENALE 5 | 10,560,701 | | 401,291 | 10,159,410 | | 10,159,410 | |
| | V.GOBETTI 19/23 - GRAMSCI 15 - SOLERI 2 (FABB. D) | 5,435,097 | | 1,386 | 5,433,711 | | 1,807,935 | 3,625,776 |
| | V.GOBETTI,15 (HOTEL P.DI PIEMONTE) | 35,276,134 | | 10,981,887 | 24,294,247 | | 24,294,247 | |
| | V.GROSSI 29 - V. DA VINCI 21 - V. CELLINI 6 | 7,146,432 | | 1,320 | 7,145,112 | | 175,117 | 6,969,995 |
| TRIESTE | VIA CARDUCCI, 29 | 5,194,380 | | | 5,194,380 | | 3,746,449 | 1,447,931 |
| | VIALE XX SETTEMBRE, 89 | 2,516,379 | | 294,139 | 2,222,240 | | 2,222,240 | |
| VARESE | VIA ALBANI,41 | 36,847,000 | | 22,194,808 | 14,652,192 | | 14,652,192 | |
| VIAREGGIO | V.LE MANIN, 12 | 6,286,467 | | | 6,286,467 | | 481,327 | 5,805,140 |

# Buildings owned at 31/12/2012 – Changes in the year

| | | Situation at 31/12/2011 | Purchases, expenses and improvements | Sales and decreases | Total | Situation at 31/12/2012 Used in operations | Leased third parties | Residential |
|---|---|---|---|---|---|---|---|---|
| CONDOMINIUMS | | 182,159,647 | | 3,894,087 | 178,265,560 | 106,906 | 143,857,216 | 34,301,438 |
| | | 1,096,884,906 | 1,713,554 | 97,953,263 | 1,000,645,197 | 11,769,828 | 742,331,257 | 246,544,114 |
| LAND | | | | | | | | |
| CAMOGLI | LANDS IN CAMOGLI | 58,420 | | | 58,420 | | 58,420 | |
| FIRENZE | VIA S. LEONARDO, 38-40-42 | 1,374,056 | | | 1,374,056 | | 1,374,055 | |
| MILAN | LOCALITA' BRUZZANO | 12,595,725 | | 2,604,904 | 9,990,821 | | 9,990,821 | |
| MODENA | VIA BUONARROTI | 20,312 | | | 20,312 | | 20,312 | |
| ROMA | TOR CARBONE | 7,747 | | | 7,747 | | 7,747 | |
| S.MARGHERITA LIGURE | LAND IN S. MARGHERITA LIGURE | 46,778 | | 8,766 | 38,012 | | 38,012 | |
| MAIORCA | TERRENO ALCUDIA | 10,818 | | | 10,818 | | 10,818 | |
| SANREMO | (EX MONTEBIGNONE) | 22,159 | | | 22,159 | | 22,159 | |
| AGRICULTURAL HOLDINGS | | | | | | | | |
| MONTEPULCIANO (SI) | FATTORIA DEL CERRO | 3,227,009 | | | 3,227,009 | | 3,227,009 | |
| OTHER PROPERTY RIGHTS | | | | | | | | |
| FIRENZE | POSTI AUTO PARTERRE | 2,629,553 | | | 2,629,553 | 2,629,553 | | |
| PIEVE EMANUELE | VIA DEI PINI LOC. VIQUARTERIO | 2,685,000 | | 1,451,000 | 1,234,000 | | 1,234,000 | |
| ASSETS IN PROGRESS AND ADVANCES | | 2,808,481 | 22,022 | 501,384 | 2,329,119 | | 2,329,119 | |
| TOTAL | | 1,122,370,966 | 1,735,576 | 102,519,316 | 1,021,587,225 | 14,399,382 | 760,643,732 | 246,544,111 |

# Buildings owned at 31/12/2012

| | | Gross total | Accum. depreciation | Net value | Current value | Difference |
|---|---|---|---|---|---|---|
| | | | | **Situation at 31/12/2012** | | |
| REAL ESTATE | | | | | | |
| CALENZANO | VIA DEGLI OLMI, 7 | 10,656,444 | 2,234,444 | 8,422,000 | 8,422,000 | |
| CAMOGLI | FABBRICATI - VIA GAGGINI,1 | 98,349 | 3,531 | 94,818 | 97,000 | 2,182 |
| | VIA GAGGINI,1 (HOTEL KULM) | 11,814,530 | 2,071,530 | 9,743,000 | 9,743,000 | |
| | VIA ROMANA 215 | 279,340 | | 279,340 | 244,000 | -35,340 |
| FERRARA | C.SO ERCOLE, 1', 6A | 1,462,773 | 53,381 | 1,409,392 | 1,465,000 | 55,608 |
| FLORENCE | P.ZZA LIBERTA', 13 | 13,619,171 | 1,248,075 | 12,371,096 | 12,383,000 | 11,904 |
| | P.ZZA LIBERTA', 1N-1-2R | 1,920,622 | 37,283 | 1,883,339 | 3,043,000 | 1,159,661 |
| | P.ZZA LIBERTA', 2- V. S. GALLO, 123 | 11,463,871 | 1,079,018 | 10,384,853 | 10,325,000 | -59,853 |
| | P.ZZA LIBERTA', 9-11 | 9,582,649 | 608,768 | 8,973,881 | 9,778,000 | 804,119 |
| | PIAZZA DELLA REPUBBLICA, 6 | 62,979,245 | 1,740,482 | 61,238,763 | 62,967,000 | 1,728,237 |
| | VIA BARACCA, 18 | 1,510,944 | 66,944 | 1,444,000 | 1,444,000 | |
| | VIA BENIVIENI, 1-3 | 4,604,149 | 22,626 | 4,581,523 | 6,383,000 | 1,801,477 |
| | V. CAMPO D'ARRIGO, 134 | 2,452,038 | 53,038 | 2,399,000 | 2,399,000 | |
| | VIA CAVOUR, 82-84 | 9,919,401 | 256,921 | 9,662,480 | 9,668,000 | 5,520 |
| | V. L.IL MAGNIFICO, 2-4-6 | 8,509,273 | 1,391,044 | 7,118,229 | 7,295,000 | 176,771 |
| | V.LANDINI/V.CATALANI,8 | 2,428,616 | 383,616 | 2,045,000 | 2,045,000 | |
| | VIA PALCHETTI 1/3/5 | 4,849,686 | 27,602 | 4,822,084 | 8,025,000 | 3,202,916 |

# Buildings owned at 31/12/2012

| | Situation at 31/12/2012 | | | | |
|---|---|---|---|---|---|
| | Gross total | Accum. depreciation | Net value | Current value | Difference |
| VIA PIAN DEI GIULLARI, 69/71 | 3,136,426 | | 3,136,426 | 7,440,000 | 4,303,574 |
| V. PIER CAPPONI, 99 | 701,236 | 12,526 | 688,710 | 812,000 | 123,290 |
| VIA RICASOLI, 48 | 3,892,594 | 97,594 | 3,795,000 | 3,795,000 | |
| VIA S. REPARATA, 97 | 3,570,977 | 73,224 | 3,497,753 | 4,531,000 | 1,033,247 |
| VIA S. LEONARDO 32-34-36A | 3,643,750 | 1,298 | 3,642,452 | 4,621,000 | 978,548 |
| VIA S. LEONARDO, 44 | 2,911,154 | | 2,911,154 | 3,659,000 | 747,846 |
| VIA SAN LEONARDO, 46-48-6/R | 3,332,169 | | 3,332,169 | 5,757,000 | 2,424,831 |
| VIA VANNUCCI, 23 | 1,576,835 | 14,421 | 1,562,414 | 1,857,000 | 294,586 |
| VIA VITTORIO EMANUELE, 26 | 1,766,186 | 168 | 1,766,018 | 2,287,000 | 520,982 |
| V.LE GRAMSCI, 63 | 4,775,454 | 125,561 | 4,649,893 | 5,260,000 | 610,107 |
| V.LE LAVAGNINI, 3-5 | 1,726,117 | 43,117 | 1,683,000 | 1,683,000 | |
| V.LE MATTEOTTI, 14-16-18 | 18,722,830 | 904,830 | 17,818,000 | 17,818,000 | |
| V.LE MATTEOTTI, 50 | 4,776,409 | 99,928 | 4,676,481 | 4,619,000 | -57,481 |
| V.LE MATTEOTTI, 52 | 5,245,655 | 345,655 | 4,900,000 | 4,900,000 | |
| V.LE MATTEOTTI, 54 | 3,948,136 | 22,515 | 3,925,621 | 5,975,000 | 2,049,379 |
| V.LE MATTEOTTI, 56 | 2,336,778 | | 2,336,778 | 3,168,000 | 831,222 |
| V. MATTEOTTI, 60 | 9,684,951 | 190,951 | 9,494,000 | 9,494,000 | |
| V.LE MATTEOTTI, 64 | 4,321,643 | 30,485 | 4,291,158 | 6,055,000 | 1,763,842 |
| V.LE S. LAVAGNINI, 7 | 4,583,289 | 3,289 | 4,580,000 | 4,580,000 | |
| VIA SALVAGNOLI 4/6 | 8,158,000 | 134,607 | 8,023,393 | 8,144,000 | 120,607 |

# Buildings owned at 31/12/2012

| | | Situation at 31/12/2012 | | | | |
|---|---|---|---|---|---|---|
| | | Gross total | Accum. depreciation | Net value | Current value | Difference |
| GENOA | P.ZA FERRARI, 1 | 28,959,580 | 7,147,580 | 21,812,000 | 21,812,000 | |
| GIARDINI NAXOS | VIA RECANATI,26 | 41,657,412 | 1,573,412 | 40,084,000 | 40,084,000 | |
| IVREA | VIALE MONTE STELLA 6 | 562,103 | 10,868 | 551,235 | 675,420 | 124,185 |
| MILAN | VIA FIORI CHIARI 24/A (AREA MADONNINA) | 9,338,005 | 45,924 | 9,292,081 | 13,410,000 | 4,117,919 |
| | AREA S. SAN GIOVANNI - VIA MILANESE 300 | 42,326,170 | 1,543,316 | 40,782,854 | 42,313,000 | 1,530,146 |
| | P.ZA VELASCA 5 | 86,644,742 | 4,148,424 | 82,496,318 | 93,056,060 | 10,559,742 |
| | V.OLDOFREDI 51 | 1,072,292 | 60,260 | 1,012,032 | 3,429,400 | 2,417,368 |
| | VIA PEROTTI, 2 | 2,595,939 | 85,918 | 2,510,021 | 3,397,000 | 886,979 |
| | V. TRECCANI DEGLI ALFIERI 16-26 | 18,390,537 | 16,292 | 18,374,245 | 30,456,940 | 12,082,695 |
| | VIALE MONZA 139 | 20,182,877 | 568,477 | 19,614,400 | 19,614,400 | |
| | FABBRICATI LOCALITA' BRUZZANO | 755,439 | 22,260 | 733,179 | 733,179 | |
| | VIA MELZI D'ERIL 34 | 15,837,001 | 411,001 | 15,426,000 | 15,426,000 | |
| | VIALE BOEZIO 20 | 21,347,176 | 3,482,643 | 17,864,533 | 17,769,000 | -95,533 |
| | TORRE GALFA - VIA FARA 41 | 37,079,600 | 969,600 | 36,110,000 | 36,110,000 | |
| | V.MONTI 21 | 10,978,647 | 1,120,313 | 9,858,334 | 13,980,220 | 4,121,886 |
| MONCALIERI | V.POSTIGLIONE,18 -V. VITTIME DEL VAJONT | 5,557,609 | 3,233,056 | 2,324,553 | 5,072,400 | 2,747,847 |
| | STRADA FERRERO DI CAMBIANO.20 | 6,322,183 | 1,151,183 | 5,171,000 | 5,171,000 | |
| PIEVE EMANUELE | V.DELLE ROSE 6 | 7,653,511 | 2,654 | 7,650,857 | 12,116,710 | 4,465,853 |
| PRATO | V. SIMINTENDI, 20 | 4,897,505 | 187,505 | 4,710,000 | 4,710,000 | |
| ROME | V.CARLO EMANUELE I' 7 | 484,935 | 9,796 | 475,139 | 904,680 | 429,541 |
| | VIA GOVONI 24/43 | 52,184,227 | | 52,184,227 | 62,392,000 | 10,207,773 |

# Buildings owned at 31/12/2012

| | | Situation at 31/12/2012 | | | | |
|---|---|---|---|---|---|---|
| | | Gross total | Accum. depreciation | Net value | Current value | Difference |
| OTHER BUILDINGS | | | | | | |
| LAND | | | | | | |
| CAMOGLI | LANDS IN CAMOGLI | 58,420 | | 58,420 | 255,000 | 196,580 |
| FLORENCE | VIA S. LEONARDO, 38-40-42 | 1,374,055 | | 1,374,055 | 2,832,000 | 1,457,945 |
| MILAN | LOCALITA' BRUZZANO | 9,990,821 | | 9,990,821 | 9,990,821 | |
| MODENA | VIA BUONARROTI | 20,312 | | 20,312 | 19,000 | -1,312 |
| ROME | TOR CARBONE | 7,747 | | 7,747 | 21,000 | 13,253 |
| S.MARGHERITA LIGURE | TERRENI IN S. MARGHERITA LIGURE | 38,012 | | 38,012 | 66,000 | 27,988 |
| MAIORCA | TERRENO ALCUDIA | 10,818 | | 10,818 | 10,818 | |
| SANREMO | (EX MONTEBIGNONE) | 22,159 | | 22,159 | 37,000 | 14,841 |
| AGRICULTURAL LAND | | | | | | |
| MONTEPULCIANO (SI) | FATTORIA DEL CERRO | 3,227,009 | 3,661 | 3,223,348 | 24,126,672 | 20,903,324 |
| OTHER PROPERTY RIGHTS | | | | | | |
| FLORENCE | VIA MADONNINA DELLA TOSSE,9 (POS. AUT( | 2,629,553 | 350,081 | 2,279,472 | 3,058,000 | 778,528 |
| PIEVE EMANUELE | VIA DEI PINI LOC. VIQUARTERIO | 1,234,000 | | 1,234,000 | 1,234,000 | |
| ASSETS IN PROGRESS AND ADVANCES | | 2,329,119 | | 2,329,119 | 2,329,119 | |
| TOTAL | | 1,021,587,225 | 74,880,390 | 946,706,835 | 1,197,738,744 | 251,031,909 |

# Buildings owned at 31/12/2012

| | | Gross total | Accum. depreciation | Net value | Current value | Difference |
|---|---|---|---|---|---|---|
| | | | | **Situation at 31/12/2012** | | |
| S.MARHERITA LIGURE | VIA DOLCINA 18 | 185,627 | 28,060 | 157,567 | 329,000 | 171,433 |
| SELARGIUS (CA) | V.PERETTI | 1,619,734 | 766,389 | 853,345 | 1,161,140 | 307,795 |
| TURIN | C.DANTE 119 | 3,619,145 | 58,316 | 3,560,829 | 10,086,460 | 6,525,631 |
| | C.G.GALILEI 12-14 | 36,479,192 | 11,447,814 | 25,031,378 | 52,630,500 | 27,599,122 |
| | C.MATTEOTTI 51/V.S.ANTONIO DA PAD.2 | 5,346,401 | 664,832 | 4,681,570 | 14,959,330 | 10,277,760 |
| | C. V. EMANUELE II 48 | 22,133,565 | 457,165 | 21,676,400 | 21,676,400 | |
| | P.CASTELLO 153/V.GARIBALDI 1 | 1,667,589 | 31,168 | 1,636,421 | 6,539,040 | 4,902,619 |
| | PIAZZA GUALA, 143 | 10,151,448 | 1,256,978 | 8,894,470 | 10,162,000 | 1,267,530 |
| | V.ARSENALE 5 | 10,159,410 | 877,060 | 9,282,350 | 9,282,350 | |
| | V.GOBETTI 19/23, GRAMSCI 15, SOLERI 2 | 5,433,711 | 52,072 | 5,381,640 | 21,764,760 | 16,383,120 |
| | V.GOBETTI,15 (HOTEL P.DI PIEMONTE) | 24,294,248 | 3,520,248 | 20,774,000 | 20,774,000 | |
| | V.GROSSI 29 - V. DA VINCI 21 - V. CELLINI 6 | 7,145,112 | 4,128 | 7,140,984 | 20,823,520 | 13,682,536 |
| TRIESTE | VIA CARDUCCI 29 | 5,194,380 | 83,905 | 5,110,475 | 6,133,660 | 1,023,185 |
| | VIALE XX SETTEMBRE 89 | 2,222,240 | 248,740 | 1,973,500 | 1,973,500 | |
| VARESE | VIA ALBANI,41 | 14,652,192 | 652,192 | 14,000,000 | 14,000,000 | |
| VIAREGGIO | V.LE MANIN, 12 | 6,286,467 | 32,421 | 6,254,046 | 6,313,000 | 58,954 |
| CONDOMINIUM | | 178,265,559 | 15,176,206 | 163,089,353 | 230,336,245 | 67,246,892 |

# Reports of the Independent Boards

# Board of Statutory Auditors' Report
# to the Shareholders' Meeting on the Financial Statements at December 31, 2012 and on the activities carried out

Dear Shareholders,

During the year ended December 31, 2012, we performed the supervisory activities required by law, in accordance with the Conduct principles for the Board of Statutory Auditors and endorsed by the Italian Accounting Profession (Consigli Nazionale dei Dottori Commercialisti e degli Esperti Contabili).
In particular, also in accordance with CONSOB communication No. 1025564 of April 6, 2001, we report, pursuant to Article 153, paragraph 1 of Legislative Decree No. 58 of February 24, 1998 (hereafter also the “CFA”), on our activities as illustrated below.

**Main events during the year 2012**

The Board of Statutory Auditors draws the attention of Shareholders to the information provided by the Directors, in the Explanatory Notes and in the Directors’ Report, in relation to the following events in 2012:

- On April 24, 2012, the Shareholders’ Meeting appointed the Board of Directors and the Board of Statutory Auditors for the financial years 2012, 2013 and 2014, i.e. until the Shareholders’ Meeting called to approve the 2014 Annual Accounts;
- On June 14, 2012, the Second Civil Section of the Milan Court issued a bankruptcy judgment against Imco S.p.A. and Sinergia Holding di Partecipazioni S.p.A., both in liquidation. The receivables of the Fondiaria-SAI Group at December 31, 2012 were recorded as bankruptcy liabilities as unsecured;
- On July 19, 2012, Unipol Gruppo Finanziario, following the subscription of the reserved Premafin share capital increase, acquired control of this latter and therefore also of the Fondiaria SAI Group;
- On September 13, 2012 the share capital increase approved by the Shareholders’ Meeting of June 27, 2012 was completed, for a total amount of Euro 1.1 billion, aimed at strengthening the Fondiaria SAI Groups capital base, ensuring the recovery of the solvency margin required by law and, more generally, the future solvency structure of the Group.
- On October 30, 2012, following the resignations of the previous Board of Directors, the Shareholders’ Meeting appointed the new Board of Directors with mandate until the approval of the 2012 Annual Accounts;
- On December 20, 2012, the Board of Directors of Unipol Gruppo Finanziario S.p.A., Unipol Assicurazioni, Fondiaria-SAI, Premafin and Milano Assicurazioni approved, within the original integration project between the Unipol Group and the Fondiaria-SAI Group announced on January 29, 2012, the merger by incorporation of Unipol Assicurazioni, Premafin and Milano Assicurazioni into Fondiaria-SAI. The merging entity will take the name UnipolSai Assicurazioni S.p.A..
  In relation to the Merger, the share swap ratio of the companies involved in the merger, the holdings in the share capital of UnipolSai and the Joint 2013-2015 Industrial Plan of the merging entity were approved.

The Company financial statements at 31/12/2012 report a loss of Euro 723 million. This result was based on the individual accounts and events described in detail in the Directors’ Report and in the Notes. In particular, the loss for the year, although lower than that recorded in the previous year, was primarily due to the significant write-down of controlling and non-controlling investments held in portfolio, the strengthening of the prior year claims provisions of the Civil Liability class and the write-downs of property directly held based on updated independent experts’ valuations.

**Provisions of law in relation to the preparation of the Fondiaria-SAI Financial Statements for the year-ended December 31, 2012**

The financial statements submitted for your approval present the activities carried out by the company and the balance sheet, financial situation and result for the year of the Company as at December 31, 2012.
The 2012 financial statements of Fondiaria-SAI comply with the general provisions for insurance companies as per Legs. Decree No, 173 of 26/5/97 and the obligatory format as per ISVAP Regulation No. 22 of 4/4/2008, adopting the general preparation regulation and applying the valuation criteria established by Attachment 2 of the above-stated Regulation. They are presented together with the Directors' Report which includes all the information required by Article 94 of Legislative Decree 209/05. The Board of Statutory Auditors highlights that the accounting principles, utilised in the preparation of the financial statements for the year ended December 31, 2012, have not substantially changed from those applied in the previous year with the exception of depreciation on property and the amortisation of long-term commissions, which had a negligible impact on the income statement for the year.

**Control and oversight undertaken by the Board of Statutory Auditors**

The activities of the Board of Statutory Auditors involved 32 meetings of the Board (of which 21 meetings held by the Board appointed by the Shareholders' Meeting of April 24, 2012), the participation at all 33 meetings of the Board of Directors, at the 2 meetings of the Remuneration Committee, 14 meetings of the Risk and Control Committee (previously the Internal Control Committee) and 41 meetings of the Committee for Transactions with Related Parties.

In accordance with the provisions of Law and Regulations outlined above, the Board of Statutory Auditors outlines the results of its control and oversight and undertook the following activities:

1. Verified compliance with law and the By-laws of the company.

2. Received from the Directors information relating to the activities carried out and on the most significant economic, financial and equity operations of the Company and can reasonably assert that the actions taken are in compliance with Law and the By-laws and were not imprudent, excessively risky or contrary to the resolutions taken in Shareholders Meetings or would compromise the integrity of the company's assets. In addition, the operations of potential conflict of interest were approved in accordance with Law and the Self-Governance Code adopted.

3. Obtained information and monitored, within the scope of our duties, on the adequacy of the organisational structure of the Company, compliance with the principles of correct administrative and the adequacy of the company's instructions to its subsidiaries in accordance with Article 114, paragraph 1 of Legislative Decree No. 58/98, through the obtaining of information from departmental mangers and meetings with the Audit Firm for the reciprocal exchange of important data and information and in relation to which we do not have any matters to report.

4. Verified through the obtaining of information from the persons responsible for the various departments, the examination of company documents and the analysis of the results of the work performed by the Audit Firm and the bodies in charge of internal control, the adequacy of the internal control and administration/accounting systems and the reliability of this latter to correctly represent the business operations. Through direct oversight of the activities of the Internal Audit, Compliance and Risk Management departments, in addition to those undertaken by the Executive Officer responsible for the preparation of the company's financial statements, and participating at the meetings of the Internal Control Committee (now: Risk and Control Committee) reviewed the activities undertaken by the above-mentioned departments in order to verify the adequacy and assess the effective functioning of the overall Internal Control system. Based on the verifications undertaken in accordance with supervisory obligations, the Board of Statutory Auditors, also in consideration of the ongoing corporate reorganisation and of the improvements following the IVASS observations and the suggestions of the Control Departments, expresses an overall favourable assessment on the Internal Control system. The Board also considers that the Internal Audit, Compliance and Risk Management Departments, and the Executive Officer responsible for the preparation of the company's financial statements, are capable of ensuring an adequate compliance of the Internal Control system.

5. Obtained, relating to the Management and Organisational Model prepared pursuant to Legislative Decree No. 231/2001, information on the activities undertaken by the Supervisory Board. This Board is in the start-up phase, taking into account the ongoing corporate reorganisation and considering that the new members of the Supervisory Board were appointed on November 13, 2012. In relation to this, the Board of Statutory Auditors during the year noted that certain members of the previous Supervisory Board could not be considered independent and such was reported promptly to the Board of Directors and to IVASS.

6. Verified the transactions with related parties, including inter-company transactions, which comply with the criteria of material and procedural correctness and report that they did not conflict with the interests of the Company. Transactions of an economic and financial nature and with the Group companies and other related parties are reported in the Notes.
   These transactions were supported, where necessary, by fairness opinions and legal opinions, were regulated at market prices and did not give rise to conflicts of interest.

7. Held periodic meetings with the Audit Firm in accordance with Article 150, paragraph 3 of Legislative Decree No. 58/98, and, in relation to the financial statements for the year ended December 31, 2012, there are no matters to report. The Auditors' Report of Reconta Ernst & Young S.p.A. on the Financial Statements for the year-ended December 31, 2012, issued on April 4, 2013, did not report any exceptions or highlight any issues.

8. Reviewed, in accordance with Article 19, paragraph 1, of Legislative Decree No. 39 of January 27, 2010, the independence of the Audit Firm, in particular, in relation to non-audit services.

9. Noted that in 2012 the Company conferred to Reconta Ernst & Young S.p.A. assignments totaling Euro 1,892 thousand plus VAT relating to:
   - the verification of the documentation of the segregated funds and of the annual management reports of the open pension funds and the internal insurance funds for 2012;
   - the activities related to the share capital increase;
   - the issue of the declaration established by Article 5, paragraph 3 of ISVAP Regulation No. 37;

- verification procedures requested by the Company on the claims management and provision process (Motor TPL class) and on the Supervisory Form 29 (Classes 10 and 12) at December 31, 2011 and at March 31, 2012;
- verification procedures requested by the Company on the claims management and provision process (General TPL class) and on the Supervisory Form 29 (Class 13) at June 30, 2012;
- diagnosis activities related to the adoption of the new IFRS standards applicable from 2013;
- accounting assistance to the audit actuary for the purposes of the preparation by this latter of the Report as per Article 25, letter k) of ISVAP Regulation No. 14.

In addition, Ernst & Young Financial Business Advisors S.p.A., a company belonging to the same network as the Audit Firm, were conferred in the same period assignments for fees totaling Euro 321 thousand plus VAT, concerning:
- the assistance services for the Executive Responsible as per law 262/2005;
- support for reporting activities concerning the interventions conducted by the corporate taskforce on the claims and Motor TPL claims provision management processes;
- the gathering of data and information and the carrying out of the due diligence procedure;

The Company also awarded to Studio Legale Tributario, part of the network of Reconta Ernst & Young S.p.A., an assignment for the procedures on the reconciliation of the deferred taxes at consolidated level (fees of Euro 50 thousand plus VAT).

We also report that on December 7, 2012 the Turin Court appointed Reconta Ernst & Young S.p.A. as general expert for the preparation of the opinion of the share swap pursuant to Article 2501-*sexies* of the Civil Code, for the purposes of the merger by incorporation of Milano Assicurazioni S.p.A., Premafin HP S.p.A. and Unipol Assicurazioni S.p.A. into Fondiaria-SAI S.p.A..

After year-end, the Company awarded Reconta Ernst & Young S.p.A. an assignment for the audit of the consolidated reporting package prepared for inclusion in the Unipol Group consolidated financial statements (fees of Euro 60 thousand plus VAT).

In relation to that indicated and taking account of the nature of the appointments, no facts or situations such as to compromise the independence of the Audit Firm emerged.

10. Provided opinions in accordance with law, in accordance with Article 2389, paragraph 3 of the Civil Code.

11. Verified, through periodic disclosure acquired, compliance with the anti-money laundering provisions pursuant to law No. 197/91.

12. Verified, through periodic information received and attending the meetings of the Board of Directors, compliance with regulatory provisions in relation to the utilisation of derivative financial instruments.

13. Verified compliance with the provisions in relation to the classification and valuation of the security portfolio and the conformity of the assignment of the financial instruments to the non-current segment and to the guidelines established by the specific Board of Directors' resolution undertaken on 14/5/2011 following the enactment of ISVAP Regulation No. 36.

14. Verified the adoption of regulations, processes and structures established for the monitoring of risks related to insurance activity.

15. Verified the compliance with regulations which govern the coverage of the insurance contract liabilities with particular reference, in relation to financial instruments, to their full and free ownership and availability, to the inexistence of restrictions, to the compliance with the requisite of admissibility and of the other limits of various nature contained in the investment criteria, as well as their appropriateness. In this context a periodic examination was made of the appropriateness of the accounting and administrative procedures adopted by the Company for the management of the recording of the assets to cover the insurance contract liabilities, of their recording in the correct accounting register, in the statements attached to the financial statements and in the quarterly communications to IVASS.

16. Undertook, within the Group, reciprocal exchange of information and data with the other Boards of Statutory Auditors.

17. Verified, through periodic reporting acquired, the correct recording and updating of the claims register in accordance with the provisions issued by IVASS.

18. Verified the procedure for the determination of the solvency margin both individually and at Group level. Although a significant loss was recorded in the year, the solvency margin exceeded the regulatory requirement. The profitability outlook expressed by the Directors is positive and there is no stress on the company's liquidity or on the normal and prompt compliance with its obligations.

19. Took notice that the Board of Directors assessed the independence of the Non-Executive Directors, as well as the members of the Board of Statutory Auditors, in accordance with Article 3 of the Self-Governance Code of Listed Companies and Legislative Decree No. 58 of February 24, 1998.

20. Verified the continual independence of the members of the Board of Statutory Auditors pursuant to the provisions of the Self-Governance Code.

21. Noted that the Company is subject to management and coordination pursuant to Article 2497 and subsequent of the Civil Code by the indirect parent company Unipol Gruppo Finanziario S.p.A..

No petitions were received during the year. Concerning notices received as per Article 2408 of the Civil Code, we report that:

- On October 17, 2011, the shareholder Amber Capital Investment Management addressed a petition to the Board in accordance with the second paragraph of Article 2408 of the Civil Code, highlighting a series of operations undertaken by Fondiaria-SAI and its subsidiary companies, with companies of the Ligresti family, raising doubts on their compliance with the rules on transactions with related parties and requested information on the remuneration paid to the Ligresti family and to the Directors between the years 2008 and 2010.
  The Board of Statutory Auditors immediately commenced investigations and replied to the petition as per Article 2408 of the Civil Code with reports issued on March 16, 2012, April 18, 2012 and June 25, 2012, which were all presented to the Shareholders' Meeting and published on the Company website.
  In these reports the Board of Statutory Auditors identified a series of further investigations it considered necessary in order to reconstruct the matters reported and invited the Board of Directors to undertake the relative verifications.

The Board of Directors took notice of the requests of the Board of Statutory Auditors and delegated a group of Independent Directors to appoint the legal and financial advisors, in addition to property experts, to undertake the investigations requested.
Simultaneously, IVASS, also in accordance with the petition of the Statutory Auditors pursuant to Article 238 of the Private Insurance Code, with measure of April 27, 2012, initiated its relative procedure and, following the measure of June 15, 2012, requested the Company to resolve within fifteen days the management irregularities arising or remove their effects, and on September 12, 2012 nominated an *ad acta* Commissioner with the responsibility to undertake the necessary actions to render the management in conformity with law.

Following the meeting with the *ad acta* Commissioner, for the purposes of identifying, in view of the powers of this latter conferred by IVASS, the respective remit in relation to the operations identified in the three previous reports pursuant to Article 2408 of the Civil Code, the Board of Statutory Auditors, on October 26, 2012 prepared and published on the Company website, the final Report on the petition of Amber, outlining the results of the investigations undertaken by the Board of Directors both in relation to the operations covered in the mandate of the *ad acta* Commissioner, without however formulating proposals in order not to interfere with the evaluations of the Commissioner, and reporting on the verifications undertaken by management of the Company, illustrating conclusions and proposals on the operations excluded from the mandate of the *ad acta* Commissioner.

On March 14, 2013, the Ordinary Shareholders' Meeting of Fondiaria-SAI passed a motion to pursue an action of corporate responsibility against the persons indicated in the Report prepared by the *ad acta* commissioner for the Shareholders' Meeting.

- On May 25, 2012, the Board of Statutory Auditors received from Finleonardo S.p.A., a shareholder of Fondiaria-SAI, a petition pursuant to Article 2408, paragraph 2 of the Civil Code dated May 22, 2012, of citable facts, with simultaneous requests to the Board of Statutory Auditors to undertake a series of investigations in relation to the matters which saw the Board of Directors revalue, in the 2011 consolidated financial statements, the Motor TPL prior year claims provision totaling Euro 800 million and whether knowledge existed of this amount before the preparation of the 2010 Annual Accounts, the 2011 Half-Year Accounts and the 2011 Prospectus.
  With its report of June 25, 2012 the Board of Statutory Auditors outlined the investigations undertaken and in its subsequent report of October 26, 2012, both published on the Company's website, provided information to the shareholders on the further investigations undertaken. In particular the Board of Statutory Auditors concluded not to have any information to declare with certainty that the Board of Directors, at the time of the preparation of the 2010 Annual Accounts, the 2011 Half-Year Accounts and the 2011 Prospectus, held information, such as to induce them, in relation to the Motor TPL prior year claims provision, to provide different valuations and information from the documents mentioned. Following a further letter requesting additional verifications by the shareholder Finleonardo on October 19, 2012, the Board of Statutory Auditors undertook further investigations and the conclusions will be presented to the Shareholders' Meeting of April 29, 2013.

Given that outlined above, the Board of Statutory Auditors considers that the 2012 Financial Statements, as presented by the Board of Directors, may be approved by you and we express our favourable opinion on the proposal by the Board of Directors to cover the loss for the year of Euro 723 million.

Turin, April 4, 2013

*The Board of Statutory Auditors*

Mr. Giuseppe ANGIOLINI

Mr. Giorgio LOLI

Mr. Antonino D'AMBROSIO

## Attachment to the Board of Statutory Auditors Report of Fondiaria-SAI in accordance with Article 153 of Legislative Decree 58/98

### List of offices held in Companies as per Book V, chapters V, VI, and VII of the civil code at the date of issue of the Report (Art. 144.5 CONSOB Regulation no. 11971/99)

| Company name | Office | Expiry |
|---|---|---|
| **Giuseppe ANGIOLINI (Chairman of the Board of Statutory Auditors)** | | |
| 1. Fondiaria-SAI S.p.A. | Chair. Board of Stat. Aud. | 31/12/2014 |
| 2. Aeroporti di Roma | Director | 31/12/2012 |
| 3. Fisia Italimpianti S.p.A. | Chair. Board of Stat. Aud. | 31/12/2014 |
| 4. Gemina S.p.A. | Independent Director | 31/12/2012 |
| 5. Milano Assicurazioni S.p.A. | Statutory Auditor | 31/12/2014 |
| 6. Pellegrini S.p.A. | Director | 31/12/2012 |
| 7. Prelios S.p.A. | Independent Director | 31/12/2012 |
| **Number of offices held in issuing company** | **3** | |
| **Total number of offices held** | **7** | |
| **Giorgio LOLI (Statutory Auditor)** | | |
| 1. Fondiaria-SAI S.p.A. | Statutory Auditor | 31/12/2014 |
| 2. Acer S.p.A. | Statutory Auditor | 31/12/2013 |
| 3. A&C S.p.A. | Chair. Board of Stat. Aud. | 31/12/2014 |
| 4. Coesia S.p.A. | Chair. Board of Stat. Aud. | 31/12/2014 |
| 5. DECAL S.p.A. | Chair. Board of Stat. Aud. | 31/12/2014 |
| 6. Finprema | Chair. Board of Stat. Aud. | 31/12/2013 |
| 7. G.D. S.p.A. | Chair. Board of Stat. Aud. | 31/12/2013 |
| 8. Isoil Impianti S.p.A. | Chair. Board of Stat. Aud. | 31/12/2014 |
| 9. Isoil Industria S.p.A. | Statutory Auditor | 31/12/2014 |
| 10. Maire Tecnimont S.p.A. | Chair. Board of Stat. Aud. | 31/12/2012 |
| 11. Milano Assicurazioni S.p.A. | Statutory Auditor | 31/12/2014 |
| 12. Residenziale Immobiliare 2001 S.p.A. | Chair. Board of Stat. Aud. | 31/12/2012 |
| 13. Sasib S.p.A. | Chair. Board of Stat. Aud. | 31/12/2013 |
| 14. Polaroid S.r.l. | Chair. Board of Stat. Aud. | 31/12/2013 |
| 15. Verde Moscova Soc. Coop | Statutory Auditor | 31/12/2012 |
| **Number of offices held in issuing company** | **3** | |
| **Total number of offices held** | **15** | |

| Company name | | Office | Expiry |
|---|---|---|---|
| **Antonino D'AMBROSIO (Statutory Auditor)** | | | |
| 1. | Fondiaria-SAI S.p.A. | Statutory Auditor | 31/12/2014 |
| 2. | Finadin S.p.A. | Chair. Board of Stat. Aud. | 31/12/2014 |
| 3. | Fiumicino Tributi S.p.A. | Chair. Board of Stat. Aud. | 31/12/2013 |
| 4. | Grassetto Costruzioni S.p.A. | Chair. Board of Stat. Aud. | 31/12/2013 |
| 5. | Grassetto S.p.A. in liquidazione | Statutory Auditor | 31/12/2012 |
| 6. | Immobiliare Fondiaria-SAI S.r.l. | Statutory Auditor | 31/12/2014 |
| 7. | Immobiliare Milano S.p.A. | Statutory Auditor | 31/12/2014 |
| 8. | Ingenera S.r.l. | Sole Director | Until revocation |
| 9. | Milano Assicurazioni S.p.A. | Statutory Auditor | 31/12/2014 |
| 10. | NIT S.r.l. | Chair. Board of Stat. Aud. | 31/12/2013 |
| 11. | Premafin HdP S.p.A. | Statutory Auditor | 31/12/2013 |
| 12. | SAI Mercati Mobiliari – SIM S.p.A. | Statutory Auditor | 31/12/2013 |

**Number of offices held in issuing company** **3**
**Total number of offices held** **12**

# Independent Auditors' Report

# Relazione di Revisione

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

**Relazione della società di revisione ai sensi degli artt. 14 e 16 del D.Lgs. 27.1.2010, n. 39 e dell'art. 102 del D.Lgs. 7.9.2005, n. 209**

Agli Azionisti di
FONDIARIA-SAI S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio di FONDIARIA-SAI S.p.A. chiuso al 31 dicembre 2012. La responsabilità della redazione del bilancio in conformità alle norme che ne disciplinano i criteri di redazione compete agli amministratori di FONDIARIA-SAI S.p.A.. È nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

   Secondo quanto previsto dall'art. 102 del D.Lgs. n. 209/2005 e dall'art. 24 del Regolamento ISVAP n. 22/2008, nell'espletamento del nostro incarico ci siamo avvalsi dell'attuario revisore che si è espresso sulla sufficienza delle riserve tecniche iscritte nel passivo dello Stato Patrimoniale di FONDIARIA-SAI S.p.A. tramite le relazioni qui allegate.

   Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione da noi emessa in data 31 marzo 2012.

3. A nostro giudizio, il bilancio d'esercizio di FONDIARIA-SAI S.p.A. al 31 dicembre 2012 è conforme alle norme che ne disciplinano i criteri di redazione; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria e il risultato economico di FONDIARIA-SAI S.p.A..

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

4. La responsabilità della redazione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari, pubblicata nella sezione "Corporate Governance" del sito internet di FONDIARIA-SAI S.p.A., in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli amministratori di FONDIARIA-SAI S.p.A.. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e delle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98, presentate nella relazione sul governo societario e gli assetti proprietari, con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98 presentate nella relazione sul governo societario e gli assetti proprietari sono coerenti con il bilancio d'esercizio di FONDIARIA-SAI S.p.A. al 31 dicembre 2012.

Torino, 4 aprile 2013

Reconta Ernst & Young S.p.A.

Ambrogio Virgilio
(Socio)

DOTT. IVANO PASTORELLI
ATTUARIO

Via Carlo Fea, 4 - 00161 Roma (RM)
Tel. 06 8535.4000 Fax: 06 8968701l

**RELAZIONE DELL'ATTUARIO**
**AI SENSI DEGLI ARTICOLI 102 E 103**
**DEL DECRETO LEGISLATIVO 7 SETTEMBRE 2005 N. 209**

Spett.le Società di Revisione
Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 - Torino

OGGETTO: FONDIARIA - SAI S.P.A.- BILANCIO DELL'ESERCIZIO 2012

Giudizio ai sensi dell'articolo 24, del Regolamento ISVAP N. 22 del 4 aprile 2008.

1. In esecuzione dell'incarico conferitomi ho sottoposto a revisione attuariale le voci relative alle riserve tecniche dei rami danni, iscritte nel passivo dello stato patrimoniale del bilancio di esercizio della Società Fondiaria - SAI S.p.A. chiuso al 31 dicembre 2012.

2. A mio giudizio nel loro complesso le suddette riserve tecniche, iscritte nel passivo dello stato patrimoniale, sono sufficienti in conformità alle vigenti disposizioni di legge e regolamentari e a corrette tecniche attuariali, nel rispetto dei principi di cui all'articolo 26, comma 1, del Regolamento ISVAP n. 22 del 4 aprile 2008.

Roma, 4 aprile 2013

Dott. IVANO PASTORELLI ORDINE NAZIONALE ATTUARI N° 1371 ATTUARIO

L'attuario
Dott. Ivano Pastorelli
Pastorelli

DOTT. IVANO PASTORELLI
ATTUARIO

Via Carlo Fea, 4 - 00161 - Roma (RM)
Tel. 06 8535.4000 - Fax: 06 89687011

# RELAZIONE DELL'ATTUARIO
## AI SENSI DEGLI ARTICOLI 102 E 103
## DEL DECRETO LEGISLATIVO 7 SETTEMBRE 2005 N. 209

Spett.le Società di Revisione
Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 - Torino

OGGETTO: FONDIARIA - SAI S.P.A.- BILANCIO DELL'ESERCIZIO 2012

Giudizio ai sensi dell'articolo 24, del Regolamento ISVAP N. 22 del 4 aprile 2008.

1. In esecuzione dell'incarico conferitomi ho sottoposto a revisione attuariale le voci relative alle riserve tecniche dei rami vita, iscritte nel passivo dello stato patrimoniale del bilancio di esercizio della Società Fondiaria - SAI S.p.A. chiuso al 31 dicembre 2012.

2. A mio giudizio nel loro complesso le suddette riserve tecniche, iscritte nel passivo dello stato patrimoniale, sono sufficienti in conformità alle vigenti disposizioni di legge e regolamentari e a corrette tecniche attuariali, nel rispetto dei principi di cui all'articolo 26, comma 1, del Regolamento ISVAP n. 22 del 4 aprile 2008.

Roma, 4 aprile 2013

DOTT. IVANO PASTORELLI ORDINE NAZIONALE ATTUARI N° 1371 ATTUARIO

L'attuario
Dott. Ivano Pastorelli
Pastorelli