2012 Consolidated Financial Statements

5 YEAR OVERVIEW – CONSOLIDATED

(In Euro thousands)

	2008		2009		2010		2011		2011 IAS 8 Restated		2012	
TOTAL PREMIUMS		%		%		%		%		%		%
MOTOR TPL	1,729,077	42.20	1,857,941	51.16	1,852,144	51.00	1,827,309	54.13	1,827,309	54.13	1,658,671	53.31
NON-LIFE	1,198,918	29.26	1,278,188	35.20	1,251,845	34.47	1,151,617	34.11	1,151,617	34.11	1,074,408	34.53
LIFE	1,169,672	28.54	495,528	13.64	527,782	14.53	396,951	11.76	396,951	11.76	378,564	12.17
TOTAL	**4,097,667**	**100.00**	**3,631,657**	**100.00**	**3,631,771**	**100.00**	**3,375,877**	**100.00**	**3,375,877**	**100.00**	**3,111,643**	**100.00**
CLAIMS PAID ***and related charges***	**3,733,703**		**3,120,808**		**3,233,813**		**3,126,242**		**3,126,242**		**3,014,069**	
INSURANCE CONTRACT LIABILITIES												
UNEARNED PREMIUM PROVISION	1,166,756		1,174,114		1,192,062		1,146,826		1,146,826		1,052,922	
CLAIMS PROVISION	3,780,404		3,936,933		4,096,194		4,380,552		4,380,552		4,441,402	
OTHER NON-LIFE TECH. PROVISION	4,523		3,562		3,287		2,897		2,897		2,488	
LIFE TECHNICAL PROVISION	5,821,790		3,899,328		3,852,793		3,541,924		3,541,924		3,377,701	
TOTAL	**10,773,473**		**9,013,937**		**9,144,336**		**9,072,199**		**9,072,199**		**8,874,513**	
PROVISIONS/PREMIUMS	**262.92%**		**248.20%**		**251.79%**		**268.74%**		**268.74%**		**285.20%**	
GROUP SHAREHOLDERS' EQUITY												
SHARE CAPITAL AND RESERVES	1,814,603		2,021,908		1,971,959		1,415,691		1,282,691		1,253,943	
NET PROFIT/(LOSS)	167,916		-139,987		-668,711		-487,479		-354,479		-216,047	
TOTAL	**1,982,519**		**1,881,921**		**1,303,248**		**928,212**		**928,212**		**1,037,896**	
INVESTMENTS	**12,562,830**		**9,443,895**		**9,101,143**		**8,355,884**		**8,355,884**		**8,475,412**	
EMPLOYEES	**2,087**		**2,026**		**1,963**		**1,855**		**1,855**		**1,867**	

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CONSOLIDATED FINANCIAL STATEMENTS

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Directors' Report

Adjustment to the 2012 consolidated financial statements following CONSOB request of March 17, 2013, Protocol No. 13032790

On April 17, 2013, CONSOB requested the Company pursuant to Article 114, paragraph 5, of Legislative Decree No. 58/98 to issue a press release outlining the reasons why the Board of Directors of the Company, in the consolidated financial statements approved on March 20, 2013, did not apply the provisions of IAS 8 relating to the comparative figures for the 2011 consolidated financial statements in order to correct the errors noted by CONSOB and contained in Decision No. 18432 of December 21, 2012.

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

Therefore, the Group should have adjusted the 2010 Consolidated Result, improving consequently the 2011 Consolidated Result, for an amount at least equal to the under-provision in the Motor TPL claims provision of Euro 203 million before the tax effect, highlighted by ISVAP in the Note of significant issues of November 17, 2011 to Milano Assicurazioni S.p.A..

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

Given that the above-mentioned CONSOB decision requested that “the declaration of non-conformity and the additional disclosures requested above should be, in addition, provided together with the 2012 Annual Report as well as the other documents published for the market which refers to reporting on the 2011 financial statements of Milano Assicurazioni”, the Board of Directors, in order to comply with these requests, considered it appropriate to adjust the consolidated financial statement approved on March 20, 2013, including, where applicable, in the consolidated Directors’ Report, Financial Statements and Explanatory Notes the above-mentioned 2011 comparative figures (in accordance with the figures already published on December 27, 2012) restated applying the corrections indicated by CONSOB, in addition to the original figures published.

Therefore in the present report, financial statements and explanatory notes reference, within the additional disclosures, to “IAS 8 Restated” figures refers to those made in accordance with CONSOB Decision No. 18432 of December 21, 2012.

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

Financial highlights

In 2012 the Group reported a net loss of Euro 216 million compared to a loss of Euro 487.5 million in the previous year. In the “IAS 8 Restated” figures, the 2011 loss reduced to Euro 354.5 million, as Euro 203 million of the strengthening of the prior year claims provisions, net of the tax effect, are considered by Consob as a correction of an error in previous years and therefore should not be included in the 2011 income statement.
Also 2012 was impacted by extraordinary items: the result was significantly impacted by the revaluation of the Motor TPL and General TPL prior year provisions and impairments on financial instruments and property investments. The current operational performance was however positive, although the difficult economic environment has negatively impacted premiums written.

The key figures in the 2012 income statement compared to the previous year are shown below:

(in Euro thousands)	2012	2011 IAS Restated	2011
Net premiums	3,074,067	3,279,514	3,279,514
Commission income	783	851	851
Income and charges from financial instruments at fair value through profit or loss	11,200	-15,127	-15,127
Income from subsid., ass. and jt. ventures	594	388	388
Income from other financial instruments and property investments	384,244	372,321	372,321
- Interest income	*237,440*	*238,143*	*238,143*
- Other income	*46,626*	*51,803*	*51,803*
- Profits realised	*96,656*	*82,375*	*82,375*
- Valuation gains	*3,522*	-	-
Other income	168,589	180,098	180,098
Total revenues	**3,639,477**	**3,818,045**	**3,818,045**
Net claims charges	-2,669,764	-2,859,765	-3,062,765
Commission expenses	-121	-233	-233
Charges from subsid., ass. & jt. ven.	-23,446	-17,549	-17,549
Charges from other financial instruments and property investments	-267,109	-392,761	-392,761
- Interest expense	*-10,905*	*-12,518*	*-12,518*
- Other expenses	*-20,455*	*-21,290*	*-21,290*
- Losses realised	*-61,082*	*-52,355*	*-52,355*
- Valuation losses	*-174,667*	*-306,598*	*-306,598*
Operating expenses	-588,484	-632,686	-632,686
- Commissions and other acquisition expenses	*-473,384*	*-508,066*	*-508,066*
- Investment management charges	*-5,526*	*-5,521*	*-5,521*
- Other administration expenses	*-109,574*	*-119,099*	*-119,099*
Other expenses	-371,187	-336,679	-336,679
Total costs	**-3,920,111**	**-4,239,673**	**-4,442,673**
Loss before taxes	**-280,634**	**-421,628**	**-624,628**
Income taxes	63,310	36,170	106,170
Net loss in the year	**-217,324**	**-385,458**	**-518,458**
Net result from discontinued activities	1,156	30,851	30,851
Consolidated loss	**-216,168**	**-354,607**	**-487,607**
Result pertaining to minority interest	-121	-128	-128
Group net loss	**-216,047**	**-354,479**	**-487,479**

The key factors in 2012 which contributed to this result are summarised below:

- the **Non-Life Insurance Sector** recorded a pre-tax loss of Euro 226.3 million, compared to an “IAS Restated” loss of Euro 383.8 million (loss of Euro 586.8 million originally recorded in the 2011 financial statements). The result is based on a continued negative technical result, although improving on the previous year, and charges related to investment valuations.
  In relation to the technical performance, the total combined ratio, excluding reinsurance, was 105.9% compared to 107.1% “IAS 8 Restated” in 2011 and 114.1% in the 2011 financial statements. The improvement principally derives from the **Motor TPL Class** which, although recording a loss due to the revaluation of the prior year claims provisions, benefitted from the actions undertaken for the recovery of profitability and also a more favourable market. In particular, the claims reported decreased by 19.6%, with a significant reduction in frequency.
  The **Land Vehicle class** reports however a positive underwriting performance and an improvement on 2011 following the greater impact of the initiatives implemented on the tariffs, on the procedures for the sale of the individual guarantees and on the underwriting risk, recently updated in light of market trends.
  In the **Other Non-Life Classes** the technical balance of the General TPL Class remains significantly negative, also due to the prior year claims provisions, and the Pecuniary Losses, impacted by the employment risk policies which, in the current economic climate and resultant large scale job losses, saw a high levels of claims.
  The earthquake which hit the Emilia Romagna region in May and June 2012 significantly impacted the Fire Class, increasing the current year claims/premiums ratio. The cost of these claims was however largely recovered through reinsurance claims excess.
  Particularly good results were achieved however by the Accident, Legal Protection and Assistance classes.
  In relation to the financial account items, the sector was significantly impacted by net valuation charges on investments for Euro 86.3 million, of which Euro 44.5 million relating to property write-downs made based on updated independent experts’ reports, Euro 14.6 million on depreciation and Euro 27.2 million on adjustments to financial investments;

- the **Life Insurance Sector** reports a pre-tax profit of Euro 13.3 million (Euro 18.9 million in 2011) after adjustments on financial assets of Euro 28.4 million. The high volatility which still characterises the financial markets does not permit the sector to fulfill its true potential and the difficult economic climate negatively impacts premiums written, which decreased on the previous year. The portfolio remains characterised principally by traditional type products, whose technical composition is focused on - through the selection of demographic and financial parameters - the guarantee of a satisfactory margin.
  The products offered, for the quality and the wide range available, satisfy all needs of clients, both in terms of savings (pension and non pension) and in terms of investments in relation to fulfilling security and protection needs;

- the **Real Estate sector** reports a pre-tax loss of Euro 67.7 million, an increase on the 2011 loss of Euro 57 million. As for the previous year, the loss is principally due to the write-downs made by the property companies based on updated valuations of the property owned, prepared by independent experts;

- the **financial and asset management** reports net income of Euro 105.5 million compared to net charges of Euro 52.7 million in 2011. The turnaround in the result is due to the net losses on investment valuations which, although high in the current year, are lower than those reported in 2011. In particular, in relation to the most significant accounts:
  - interest income amounts to Euro 237.4 million, substantially in line with Euro 238.1 million in 2011;
  - net profits to be realised amounted to Euro 35.6 million (Euro 30 million in 2011), of which Euro 45.9 million income on bond securities, Euro 17.4 million income on property investments, Euro 20.1 million losses on equities and Euro 7.6 million losses on investment fund units;
  - the net valuation losses amounted to Euro 171.1 million, significantly reducing on Euro 306.6 million in 2011 and concern impairments on Available for Sale financial instruments and Loans and Receivables for Euro 55.6 million, depreciation on property for Euro 24.4 million and property impairments of Euro 91.1 million, based on updated independent experts valuations;
  - the financial instruments at fair value recorded through profit and loss report income of Euro 11.2 million compared to charges of Euro 15.1 million in 2011. The result for the year 2011 was impacted by the loss of Euro 17.9 million deriving from the sale of option rights concerning the parent company Fondiaria-Sai, undertaken in accordance with the provisions of the civil code which do not allow a company to subscribe to the shares of the parent company;
  - the charges from subsidiaries, associates and joint ventures principally include the losses recorded in the period by Atahotels, which continues to be affected by the weak hotel sector, both in relation to vacation and business volumes. The result was also affected by the high level of rents paid on the hotels managed and write-downs on intangible and tangible fixed assets.

Management expenses in the non-life insurance sector amounted to Euro 559.4 million, with a percentage on net premiums of 20.7% (21% in 2011). In the Life insurance sector, operating expenses amounted to Euro 29.1 million, with a percentage on net premiums of 7.9% (6.7% in 2011). The figures include **administrative expenses** totaling Euro 109.6 million, which reports a decrease of 8% compared to 2011 following the cost containment policy implemented during the year.

The result for the year was not impacted by significant non-recurring or unusual operations compared to the normal operations of the company.

The table below shows the results by sector. The Real Estate Sector includes the real estate subsidiary companies (Immobiliare Milano Assicurazioni, Sintesi Seconda, Campo Carlo Magno) and the Athens Real Estate Fund, while the Other Activities include the subsidiary Sogeint, which provides commercial assistance to the Agencies.

(in Euro thousands)	**Non-Life**	**Life**	**Real Estate**	**Other**	**Inter-segment Elim.**	**Total**
Net premiums	2,706,266	367,801	-	-	-	3,074,067
Commission income	-	783	-	-	-	783
Net Income from financial instruments at fair value through profit or loss	-577	13,521	-1,744	-	-	11,200
Income from sub., associates & JV's	579	-	15	-	-	594
Income from other financial instruments and property investments	196,849	172,649	14,746	-	-	384,244
- Interest income	99,618	136,637	1,185	-	-	237,440
- Other income	22,297	10,819	13,510	-	-	46,626
- Profits realised	71,412	25,193	51	-	-	96,656
- Valuation gains	3,522	-	-	-	-	3,522
Other income	154,735	7,375	2,188	8,470	-4,179	168,589
Total revenues	**3,057,852**	**562,129**	**15,205**	**8,470**	**-4,179**	**3,639,477**
Net claims charges	-2,231,807	-437,957	-	-	-	-2,669,764
Commission expenses	-	-121	-	-	-	-121
Charges from sub, associates & JV's	-22,658	-88	-700	-	-	-23,446
Charges from other financial instruments and property investments	-144,708	-58,104	-64,297	-	-	-267,109
- Interest expense	-6,024	-4,555	-326	-	-	-10,905
- Other expenses	-12,467	-580	-7,408	-	-	-20,455
- Losses realised	-36,391	-24,605	-86	-	-	-61,082
- Valuation losses	-89,826	-28,364	-56,477	-	-	-174,667
Operating expenses	-559,357	-29,127	-	-	-	-588,484
- Commissions and other acquisition	-456,330	-17,054	-	-	-	-473,384
- Investment management charges	-3,556	-1,970	-	-	-	-5,526
- Other administration expenses	-99,471	-10,103	-	-	-	-109,574
Other expenses	-325,662	-23,390	-17,909	-8,405	4,179	-371,187
Total costs	**-3,284,192**	**-548,787**	**-82,906**	**-8,405**	**4,179**	**-3,920,111**
Profit/(loss) before taxes - 2012	**-226,340**	**13,342**	**-67,701**	**65**	**-**	**-280,634**
Profit/(loss) before taxes (IAS Restated) - 2011	**-383,843**	**18,901**	**-57,025**	**339**	**-**	**-421,628**
Profit/(loss) before taxes - 2011	**-586,843**	**18,901**	**-57,025**	**339**	**-**	**-624,628**

Non-Life Insurance Sector

Premiums written

For the direct business, which represents almost the entire portfolio, the premiums written amounted to Euro 2,728 million (-8.2% on 2011). Of this, Motor premiums amounted to Euro 1,887.5 million (-9.7%) and other Non-Life classes totaled Euro 840.5 million, reporting a drop of 4.8% on 2011. The drop in premiums reflects the difficult economic environment and the restructuring actions on the portfolio and an improvement in the underwriting performance.

In particular, the contraction in premiums written in the **Motor TPL** Class (-9.2%) confirms the trend already reported in the Interim Reports and illustrates the continuation, even more decisively, of the reform of the multi-claim portfolio and the regulatory changes which have significantly impacted the bonus/malus system in its function to adjust premiums to contract risk, through applying the bonus/malus at family level and also applying malus only in the case of principal responsibility. The level of premiums is also impacted by the sharp drop in vehicle registrations which, in 2012, reported a decrease of 19.9% (-22.5% in December) confirming that the depressed economy has drastically hit the sector, also due to the continuing increase in related costs, such as fuel and toll charges.

For the **Land Vehicle class**, the contraction in premiums (-13%) was also principally due to the difficult economic environment, with a contraction in new vehicle registrations and with the reduction in household disposable income making the insertion of accessory guarantees in the motor policies more difficult.
The sales policies of the motor manufacturers have also impacted volumes with the inclusion in the vehicle sales price of insurance packages with fire, theft and assistance guarantees. The restructuring of the multi-claim portfolio also impacted the result.

In the **Other non-life classes** premiums were impacted by the restructuring of the corporate portfolio, particularly in relation to structurally weak sectors and also the difficulties in the retail sector which, although being the principle objective of the underwriting policy, was impacted by the current extensive crisis which reduces household disposable income for insurance coverage.
In the current difficult economic context, the underwriting policy continues to employ prudent criteria and is principally focused on the retail sector and on small-medium sized enterprises which operate in historically profitable sectors and regions.

Indirect premiums amount to Euro 5 million compared to Euro 5.7 million in the same period of the previous year and continued to be minimal due to the decision to cease underwriting on the inward reinsurance market with companies not belonging to the Group.

The breakdown of the gross premiums written of the direct business is as follows:

(in Euro thousands)	**2012**	**2011**	**Change %**
Accident & health	213,423	229,240	-6.9
Marine, aviation and transport	11,647	12,465	-6.6
Fire and Property	320,785	332,410	-3.5
General TPL	203,411	213,012	-4.5
Credit & Bonds	41,285	47,277	-12.7
General pecuniary losses	6,311	7,600	-17.0
Legal protection	7,588	8,269	-8.2
Assistance	36,079	32,484	+11.1
Total Division – Non Motor	**840,529**	**882,757**	**-4.8**
Land Motor TPL	1,658,671	1,827,309	-9.2
Land vehicles	228,833	263,175	-13.0
Total Division – Motor	**1,887,504**	**2,090,484**	**-9.7**
TOTAL	**2,728,033**	**2,973,241**	**-8.2**

Claims reported and paid

Claims reported in 2012 totaled 621,296, decreasing by 15.9% on 2011. In the Motor TPL Class the claims reported numbered 276,224 compared to 343,375 (-19.6%) and, taking into account the reduction in premiums written and the overall improvement in the domestic market, confirms the actions implemented to recover profitability.

The claims paid in the year, gross of outward reinsurance, totaled Euro 2,253.6 million, a decrease of 5.2% on Euro 2,376.5 million in 2011.

The table below shows the breakdown of the number of claims reported and the amount, including the expenses, of the claims paid on direct Italian business:

	Claims reported Number			Claims paid (in Euro thousands)		
	2012	**2011**	**Cge. %**	**2012**	**2011**	**Cge. %**
Accident & health	59,814	75,970	-21.3	107,258	129,246	-17.0
Marine, aviation and transport	633	684	-7.5	6,728	8,678	-22.5
Fire and property damage	88,528	88,747	-0.2	198,574	201,027	-1.2
General TPL	37,866	46,305	-18.2	186,428	176,867	+5.4
Credit & Bonds	648	780	-16.9	35,062	28,722	+22.1
General pecuniary losses	1,264	1,404	-10.0	7,521	4,902	+53.4
Legal protection	735	756	-2.8	1,096	1,067	+2.7
Assistance	60,882	60,464	+0.7	11,278	10,700	+5.4
Total Non Motor classes	**250,370**	**275,110**	**-9.0**	**553,945**	**561,209**	**-1.3**
Motor TPL	276,224	343,375	-19.6	1,555,982	1,646,116	-5.5
Land vehicles	94,702	120,093	-21.1	143,728	169,149	-15.0
Total Motor sector	**370,926**	**463,468**	**-20.0**	**1,699,710**	**1,815,265**	**-6.4**
TOTAL	**621,296**	**738,578**	**-15.9**	**2,253,655**	**2,376,474**	**-5.2**

Technical performance

The principal technical indicators, relating to the non-life sector, are summarised in the table below:

	2012	**2011 IAS 8 Restated**	**2011**
Loss ratio net of reinsurance (*)	82.5%	83.4%	90.4%
Combined ratio net of reinsurance (**)	105.9%	107.1%	114.1%
Combined ratio gross direct business (**)	107.1%	106.1%	112.8%
Provision ratio (***)	201.1%	185.6%	185.6%

(*) claims of period / premiums, net of reinsurance
(**) loss ratio + expense ratio + technical charges; (***) gross insurance liabilities/gross premiums

The overall underwriting result improved on 2011 although again reporting a loss, in particular due to the revaluation of the prior year claims provisions for the Motor TPL and General TPL classes. Current generation claims however report an improved performance.

In particular, in the **Motor TPL** classes, the initiatives adopted to recover profitability and the improved domestic market resulted in a favourable trend in claims reported, which dropped 19.6% on 2011 and with a decrease in frequency. The overall performance of the class however continues to be impacted by the prior year claims provisions and, in particular, the revaluation of the claims provisions by the loss adjustor network. We also report that more aggressive policies were introduced during the year with the aim of a quicker resolution of the prior year claims, both in relation to partial settlements and in relation to mortality claims.
Significant efforts have been taken to combat fraud through the anti-fraud department, now operating throughout the country. This structure, also supported by specific IT supports, identifies potentially false claims with regional investigative and settlement networks carrying out more in-depth investigations to ascertain the reality behind the events claimed.

The **Land Vehicle class** reports a positive underwriting performance and an improvement on 2011 following the greater impact of the initiatives implemented on the tariffs, on the procedures for the sale of the individual guarantees and on the underwriting risk, recently updated in light of market trends.

In the **Other Non-Life Classes** the technical balance of the General TPL Class remains significantly negative, essentially due to the prior year claims provisions, and the Pecuniary Losses Class, impacted by the employment risk policies which, in the current economic climate, resulted in large scale job losses, with high levels of claims.
The earthquake which hit the Emilia Romagna region in May and June 2012 significantly impacted the Fire Class, increasing the current year claims/premiums ratio. The cost of these claims was however largely recovered through reinsurance.
Particularly good results were achieved however by the Accident, Legal Protection and Assistance classes.

Motor TPL Insurance fraud prevention

The prevention and fight against insurance fraud in the Motor TPL class is a fundamental and consolidated commitment of the Group companies and involves the insurance process in its entirely. This activity takes place within the loss adjustment and underwriting operations.
The Group companies utilise 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 Legislative Decree No. 1/2012, as a result of the Anti-Fraud activity carried out in the Motor TPL class, in 2012 a reduction in charges of Euro 13.7 million is estimated, 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.

****

Liguria Assicurazioni has a predominantly multi-mandate sales network and reported premiums of Euro 205.4 million, a decrease of 13.4% compared to Euro 237 million in 2011, due to the difficult economic environment and the portfolio restructuring - implemented also through the discontinuation of poorly performing sales points.

The 2012 income statement, prepared in accordance with IAS/IFRS standards, reports a loss of Euro 43.7 million - loss of Euro 40.4 million in 2011. This result is primarily due to the need to further strengthen the prior year claims provisions, in particular in the Motor TPL class, while the current generation claims report a more favourable trend compared to the past.

With reference to the Motor TPL class, which represents approximately three quarters of the portfolio, the claims reported dropped 31.1%, the frequency decreased significantly and the claims/premium ratio for the current year decreased from 82.2% to 72.6%.
The actions continued in 2012 to contain costs, particularly in the claims area: in this regard, in February 2012 the Group IT platform for the handling and settlement of claims was adopted, as well as the applications for the monitoring of loss adjustment activities and, in order to fully integrate the claims process of the company with the group and achieve further efficiencies, the loss adjustors department was merged into the Group department.
The analysis and the discontinuation of sales points with unsatisfactory performances also continued, partially compensated with the opening of the new carefully selected sales points by region and portfolio type.

In relation to the telephone and the Internet channel, premiums written by **Dialogo Assicurazioni** totaled Euro 28.4 million, decreasing by 28.4% on 2011, amid a difficult economic environment, lower advertising expenditure and an underwriting policy which seeks to balance to the best degree

possible the average premium with the frequency and the average claims costs, improving the portfolio quality.
The underwriting performance continues to be negative, although the current operating performance reports an improvement on the previous year. In particular, the Motor TPL class, despite remaining negative, benefitted from the actions undertaken to recover profitability, among which the creation of a special dedicated claims department to combat the fraud and irregularities seen in the recent past. As a consequence of the above-mentioned actions and the improved performance seen at market level, the claims frequency decreased from 105.1% in 2011 to 93% in the current year. In relation to prior year claims, the settlement activity resulted in a negative impact, principally due to the revaluations by loss adjusters on the relative provisions.
At the end of the year the company availed of the option to transfer to the parent company Milano Assicurazioni its losses carried forward, receiving in return 12% of the relative amount. The exercise of this option, provided for within the applicable regulations of the group tax consolidation, resulted in an income statement benefit of Euro 6.1 million, taking into account that the deferred tax assets relating to these tax losses were not originally recorded due to the uncertain future profitability outlook.
The contribution of the company to the consolidated result was a loss of Euro 2.9 million, an improvement on the loss of Euro 10.5 million in 2011, in particular due to the above-mentioned benefit from the transfer of the losses carried forward.
In relation to the sale of standardised products distributed by the banking partners, **Systema Compagnia di Assicurazioni S.p.A.** recorded premiums of Euro 39.8 million, an increase of 5.6% on 2011. In particular, as outlined in the Interim Reports, a significant improvement in the Motor class was reported (+22.6%) and a significant reduction (-63.2%) in the other Non-Life classes, following the substantial disengagement from subscriptions in this sector by the networks of the Banca Popolare di Milano Group.
The underwriting performance remains negative, principally due to the revaluations made by the loss adjustors on the prior year claims provisions, while the current operating performance reports a significant improvement. The claims/premiums ratio in the current year relating to direct premiums in the Motor TPL class was in fact 69.5% compared to 100.8% in 2011, which was impacted by a number of significant claims.
The asset and financial management recorded net income of Euro 0.9 million, compared to Euro 0.3 million in 2011.
The income statement, prepared in accordance with IAS/IFRS standards, reports a loss of Euro 0.4 million - loss of Euro 2.5 million in 2011.

Reinsurance

Premiums ceded amounted to Euro 121.3 million (Euro 126.9 million in 2011). The total on direct premiums written remains substantially stable (from 4.3% to 4.4% in 2012).

The reinsurance structure of the non-life insurance sector, unchanged on the previous year, is based on proportional coverage 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 is protected following an event which jointly concerned the Fire and Land Vehicle classes. Protection by individual risk is only permitted for some specific guarantees.

The non-proportional programmes are also utilised to protect the Fire, Motor TPL, General TPL, Theft and Injury classes.
For 2012, as for the previous years, all the reinsurance contracts are with the Irish company The Lawrence Re, indirectly controlled 100% by Fondiaria-Sai, which subsequently transfers the risks underwritten in reinsurance, utilising primary international operators with an adequate rating, in line with ISVAP circular 574/D.
For 2013 however, the reinsurance coverage of the Motor TPL, Maritime TPL, Fire, Land Vehicles and Technological Risks (limited to the protection by event) was underwritten with the group company Unipol Assicurazioni, which subsequently transferred these underwriting risks on the international market.
The only exceptions to the reinsurance described above relates to the coverage for Aviation and General TPL (limited only to Pollution TPL policies), all directly placed on the reinsurance market.

For the Assistance and Transport class specialised group companies are utilised: for the Assistance class, the protection is guaranteed by Pronto Assistance, while for the Transport classes, the company continues to reinsure the entire portfolio with the specialised company SIAT, utilising a proportional coverage.

Finally we report, in relation to the earthquake in the Emilia Romagna region in May and June 2012, the reinsurance protection resulted in the recovery of Euro 13.1 million, net of the amounts due for premium supplementation, against claims totaling Euro 20.7 million on direct premiums.

Life Insurance Sector

Premiums written and new business

The following table shows the breakdown by class of the direct business premiums and the percentage change on the previous year:

(in Euro thousands)	**31/12/12**	**31/12/11**	**Change %**
Whole and term life insurance	331,491	348,761	-5.0
Unit linked/Index-linked policies	73	109	-33.0
Health insurance	88	98	-10.2
Capitalisation insurance	46,885	47,858	-2.0
TOTAL	**378,537**	**396,826**	**-4.6**

The level of premiums written reflects the difficult economic environment which, on the one hand, reduces household disposable income, weakening the demand for insurance products and making business generation more difficult in the Life sector and, on the other hand, creates liquidity problems within businesses with negative effects on the sale of capitalisation products. The level of premiums has certainly also been impacted by the various corporate issues involving the Fondiaria-Sai Group.

However, the performances can be considered encouraging, taking into account the overall domestic market, based on the latest data available, which registers a contraction in overall premiums of 6% compared to 2011 and 10% considering only the Class I premiums.

The portfolio remains characterised principally by traditional type products, with a high insurance content, whose technical composition is focused on - through the selection of demographic and financial parameters - the guarantee of a satisfactory margin.
The products offered, for the quality and the wide range offered, satisfy all needs of clients, both in terms of savings (pension and non) and in terms of investments in relation to fulfilling security and protection needs.

In accordance with IFRS 4 (Insurance Contracts) the amounts recorded to the premiums account relate to the contracts with significant insurance risk and investment contracts with discretional participation. The other financial contracts and in particular the unit-linked policies and units of the Milano Assicurazioni Open Pension Funds are treated under the deposit accounting method which provides, substantially, for the recording in the income statement of only the profit margins and the recording under financial liabilities of the amount matured in favour of the counterparties.

Contracts issued in 2012 amounted to Euro 7.5 million (Euro 10.6 million in 2011).

The table below summarises the results relating to new premiums written, calculated both under the IAS/IFRS criteria, excluding therefore the contracts treated under the deposit accounting method, and under the local GAAP criteria taking into consideration all new premiums in the sector:

(in Euro thousands)	**2012 Ias/Ifrs**	**2011 Ias/Ifrs**	**Change % Ias/Ifrs**	**2012 Local Gaap**	**2011 Local Gaap**	**Change % Local Gaap**
Class I	169,839	172,527	-1.6	169,839	172,527	-1.6
Class III	-	-	-	641	3,477	-81.6
Class IV	-	1	-100.0	-	1	-100.0
Class V	9,618	8,611	+11.7	9,618	8,611	+11.7
Class VI	1.1.1 -	1.1.2 -	1.1.3 -	1.1.4 667	1.1.5 856	1.1.6 -22.1
TOTAL	**179,457**	**181,139**	**-0.9**	**180,765**	**185,472**	**-2.5**

New premiums written in terms of equivalent annual premiums (Annual Premium Equivalent, APE), obtained taking into account the sum of the new business annual premiums and 10% of the single premiums, is shown in the table below:

(in Euro thousands)	**2012 Ias/Ifrs**	**2011 Ias/Ifrs**	**Change % Ias/Ifrs**	**2012 Local Gaap**	**2011 Local Gaap**	**Change % Local Gaap**
Class I	39,304	38,361	+2.5	39,304	38,361	+2.5
Class III	-	-	-	255	553	-53.9
Class IV	-	1	-100.0	-	1	-100.0
Class V	962	862	+11.6	962	862	+11.6
Class VI	-	-	-	317	456	-30.5
TOTAL	**40,266**	**39,224**	**+2.7**	**40,838**	**40,233**	**+1.5**

Insurance contract liabilities

Total insurance contract liabilities amount to Euro 3,377.7 million, a drop on the previous year (Euro 3,541.9 million in 2011), principally due to maturities and redemptions not entirely offset by new premiums. Of these, Euro 1,324 million relate to investment contracts with profit participation features.
The largest part of the insurance contract liabilities relates to segregated fund contracts, which guarantee a minimum return and capital protection.
The table below reports the most recent returns from the main Internal Segregated Funds, certified by the audit firm:

	2012	**2011**
Viva	3.59%	3.54%
Valuta Viva	4.35%	4.84%
Milass Gest 1 (ex Gepre and Domani Maa)	3.60%	3.53%
Geprecoll	4.10%	4.23%
3A	3.59%	3.55%
Sasariv	3.81%	3.42%

Sums Paid

The gross sums paid amount to Euro 717.3 million (Euro 701.6 million in 2011), an increase of 2.2%. The breakdown by class and type is reported in the following table:

(in Euro thousands)	**Claims**	**Redemptions**	**Maturity**	**Total**
Class I	18,176	214,905	249,199	482,280
Class III	584	7,210	53,288	61,082
Class V	225	143,795	29,926	173,946
Total	**18,985**	**365,910**	**332,413**	**717,308**
Total 31/12/2011	**22,650**	**266,287**	**412,707**	**701,644**

Technical Performance

The **Life insurance sector** reports a pre-tax profit of Euro 13.3 million (Euro 18.9 million in 2011) after adjustments on financial assets of Euro 28.4 million. The high volatility which still characterises the financial markets does not permit the sector to fulfill its true potential and the difficult economic climate negatively impacted premiums written, which decreased on the previous year. The portfolio remains characterised principally by traditional type products, whose technical composition is focused on - through the selection of demographic and financial parameters - the guarantee of a satisfactory margin.
The products offered, for the quality and the wide range available, satisfy all needs of clients, both in terms of savings (pension and non pension) and in terms of investments in relation to fulfilling security and protection needs.

Individual Insurance

In 2012, the 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 policies 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, business written was in line with the previous year;
- for variable annual premium products, there was a substantial decrease with the sole exception of the Mixed Insurance sector, where the introduction of the new OPEN FULL product midway through March saw a significant increase in both the number of policies and volumes;
- in the Term Life sector, a slight contraction in volumes and a small increase in the number of policies is reported.

The supplementary pension sector, implemented through Individual Pension Plans, saw a significant increase in volumes compared to the year, thanks in particular to transfers from other companies.

Collective insurance and Pension Funds

2012 reports a small decrease in premiums written.

In particular, the capitalisation products for the management of SME liquidity reported an increase in premiums compared to the previous year despite the unfavourable economic environment, while the Institutional Clients continue to be no longer interested in these type of insurance/financial products.

The economic-financial environment in 2012, characterised by high volatility in Government bonds and a difficulty in accessing credit, resulted in an increase in early redemptions, especially by Institutional Clients.

The supplementary pension segment, relating to the Open Pension Fund set-up by the Company and the traditional portfolio of the Pre-existing Pension Funds, overall reported substantial stability with the previous year.

The employee leaving indemnity based products (TFR and TFM) recorded a decrease in premiums, principally due to the difficult economic climate. It is recalled that 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.

Reinsurance

The premiums ceded amounted to Euro 8.8 million compared to Euro 10.4 million in the previous year. The reinsurance structure is unchanged, with a proportional coverage in excess and a catastrophic coverage in claims excess provided by the group company The Lawrence Re.

Real Estate Sector

The real estate sector includes the results of the subsidiary property companies of Milano Assicurazioni (Immobiliare Milano Assicurazioni S.r.l., Sintesi Seconda S.r.l., Campo Carlo Magno S.p.A.) and the Athens Real Estate Fund, entirely held by Milano Assicurazioni.

The pre-tax result in 2012 was a loss of Euro 67.7 million (loss of Euro 57 million in 2011). As for the previous year, the loss is due to the write-downs made by the property companies based on updated valuations of the property owned, prepared by independent experts.

Financial highlights of the individual entities in the sector are presented below.

IMMOBILIARE MILANO ASSICURAZIONI S.r.l. - Milan

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

The contribution to the 2012 consolidated accounts was a loss of Euro 50.6 million (loss of Euro 37.9 million in 2011, excluding the gain of Euro 30.9 million realised on the sale of Citylife, recorded under discontinued operations in accordance with IFRS 5) and principally due to the write-down of property for Euro 42.4 million, based on independent experts' valuations.

At December 31, 2012, the real estate assets of the company and its subsidiaries recorded in the financial statements amounted to Euro 235 million and consisted of residential, office and commercial properties and construction land. The investments in associated companies amount to Euro 5.6 million and principally relate to:

- a holding of 44.93% in Borsetto s.r.l., with a book value of Euro 2.5 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress;
- a holding of 20% in Penta Domus s.r.l., with a book value of Euro 2.8 million. The company holds 49% of the capital of Cinque Cerchi S.p.A., a company owner of the "Spina 3" area in Turin, with total potential building area of approx. 114,000 sq. metres.
  In 2012, the development continued of the first building lot of approx. 18,000 sq. metres for residential use, of which approx. 4,000 sq. metres for social housing. In December 2012, the associated company presented to the Turin Municipality the definitive project relating to the second building lot for the Construction Permit. The project involves two buildings with a total gross area of 19,000 sq. metres for residential use, which includes approx. 5,000 sq. metres of social housing. The approval time required is about 6 months.
  Sales agreements have been signed for approximately 15% of the residences at year-end.

Bank debt was almost entirely repaid (Euro 12.8 million at December 31, 2011).

We report the most significant events during the year as follows:

- on March 8, 2012, Immobiliare Milano Assicurazioni sold to Autostrada Torino Milano S.p.A. the shareholding held in **IGLI S.p.A.**, of 16.67% of the share capital, and simultaneously receiving the sales price of Euro 43.8 million. The acquisition price of each IGLI share subject to the sale was established at Euro 10.89572, based on the forecast balance sheet of IGLI at December 31, 2011, with each ordinary share of Impregilo S.p.A. attributed a value of Euro 3.65. The sale resulted in a gain of Euro 1.2 million, recognised to the account *Profits from Discontinued Operations*.
  In this regard, the following is noted:
  - Immobiliare Fondiaria-Sai s.r.l. and Immobiliare Milano Assicurazioni s.r.l. each held a 16.67% stake in IGLI and the Fondiaria-Sai Group therefore had a total holding in IGLI of 33.33% of the share capital, equal to the other two shareholders of IGLI, Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A.;
  - On December 27, 2011 Immobiliare Fondiaria-Sai and Immobiliare Milano Assicurazioni agreed the acquisition with Argo Finanziaria of 8,040,000 ordinary shares of IGLI, held by Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni and comprising 33.33% of the share capital of IGLI S.p.A.;
  - Argo Finanziaria had the right to designate its subsidiary Autostrada Torino Milano to acquire the IGLI shares.

  Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni have committed, on their own behalf and on behalf of their affiliates, to abstain from acquiring directly or indirectly, shares, rights and equity instruments of Impregilo S.p.A., financial instruments or debt securities convertible into shares or equity instruments of Impregilo, in addition to any option rights concerning the subscription and/or the acquisition of any of the above-stated instruments for a period of 12 months from the execution of the operation;

- on January 27, 2012, the Board of Directors of Metropolis, a company held 29.73% by Immobiliare Milano Assicurazioni, called the Extraordinary Shareholders' Meeting for the Liquidation of the Company, taking into account that, following the placing in liquidation and administration of the shareholders Baldassini-Tognozzi Costruzioni Generali S.p.A. and Consorzio Etruria e Servizi e Promozioni s.r.l., the financial support necessary was not available to realise the recovery, transformation and restructuring of the Manifattura Tabacchi real estate project at Florence.

The Shareholders' Meeting of March 14, 2012 approved:

- the winding-up of the company and placement in voluntary liquidation,
- appointment of the liquidator of the company conferring to him all ordinary and extraordinary powers with the exception of the power to sell the investment MT - Manifattura Tabacchi S.p.A. for which prior authorisation of the Shareholders' Meeting is necessary.
- the transfer of the registered office from via Fra' Giovanni Angelico No. 58 in Florence to Corso Venezia No. 10 in Milan was approved with consequent modification and approval of the new Article 2 of the company By-laws.

On March 30, 2012, the Shareholders Resolution winding up the company was registered at the Company's Registration Office.
The carrying value of the investment is therefore zero, taking into account the write-downs made in 2011.

FONDO IMMOBILIARE ATHENS R.E. FUND

This property fund was created in 2009 and is managed by the associated SAI Investimenti SGR S.p.A., which owns two property complexes, both rented to Atahotels S.p.A.:

- the hotel real estate complex Petriolo Spa & Resort, located in the Civitella Paganico (GR) and Monticiano (SI) municipalities, previously owned by Immobiliare Lombarda, with a book value of Euro 14.5 million;
- the hotel real estate complex located in Taormina (ME) - Grand Hotel Capo Taormina – previously owned by Immobiliare Lombarda, with a book value of Euro 25.3 million.

The contribution to the consolidated income statement in 2012 was a loss of Euro 11 million, particularly due to impairments on property complexes owned.

CAMPO CARLO MAGNO S.p.A. - Madonna di Campiglio

The company owns a hotel real estate complex at Madonna di Campiglio and a Golf Hotel. The company signed a rental contract with Atahotels S.p.A. which provides for a fee of 20% of the net annual revenues, with a minimum guaranteed fee. The operation guarantees the company an adequate return on the business, in line with market values for similar operations. The contribution to the consolidated result was a profit of Euro 0.1 million.

Other Activities Sector

The other activities sector includes the company SOGEINT which provides commercial assistance to the agencies. At December 31, 2012, the company had 45 employees and 24 agencies. The company recorded a breakeven result in 2012.

Asset and financial management

During 2012 global growth slowed, due in particular to the continued impact of the sovereign debt crisis of the peripheral Eurozone countries.
This setback in global GDP growth was partly offset by sustained development in the emerging economies - particularly in the second part of the year - and a slight recovery in the US (at approx. 2%), which benefitted from expansive monetary and fiscal policies and the consequent reduction in unemployment levels.

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 to adjust public spending approved by the Authorities in Brussels and by the ECB.
In addition, 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.

The following table reports the movements in rates and spreads of a number of Eurozone country government bonds compared to the 10-year German Bund.

Country	**December 30, 2011**		**June 29, 2012**		**September 28, 2012**		**December 31, 2012**	
	10 year rate	Spread vs Germany	10 year rate	Spread vs Germany	10 year	Spread vs Germany	10 year 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

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, the public purse recovery policies implemented by the technical government within a weak European economy on the one hand deepened the recession, but on the other improved the sovereign debt risk profile and credit conditions with potentially positive signs for Italy.

Within this market, 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% (entirely in the final quarter). The Ibex of Madrid was however negative, although against 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% (+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).

Operations and portfolio positions

The financial management in 2012 was carried out in line with the Guidelines of the Group Investment Policy and in compliance with the general principles of prudence and enhanced asset quality over the medium to long term.
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.
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. There was also a reduction in the investment fund component, primarily in the Non-Life sector. With reference to the strategic investments the entire shareholding in Generali was sold in December.

* * *

The investments at December 31, 2012 compared to the previous year are shown below. The table also shows the assets and the liquidity, which is important for the correct structure of the balance sheet of an insurance group.

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
INVESTMENTS			
Investment property	613,188	910,693	-297,505
Investments in subsidiaries, associates and joint ventures	111,964	100,416	11,548
Investments held to maturity	185,360	128,927	56,433
Loans and receivables	891,522	905,538	-14,016
AFS financial assets	6,508,286	6,084,206	424,080
Financial assets at fair value through profit or loss	165,092	226,104	-61,012
Total investments	**8,475,412**	**8,355,884**	**119,528**
Tangible fixed assets: buildings and other fixed assets	39,009	52,350	-13,341
Total non-current assets	**8,514,421**	**8,408,234**	**106,187**
Cash and cash equivalents	320,299	470,804	-150,505
Total non-current assets and cash and cash equivalents	**8,834,720**	**8,879,038**	**-44,318**

Investment property

Investment property are recorded at purchase cost and depreciated on a straight-line over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.

The change compared to December 31, 2011 is summarised below:

- improvement expenses of Euro 0.8 million;
- transfer to other asset categories of Euro 132 million;
- sales of Euro 50.8 million;
- depreciation of Euro 24.4 million;
- write-downs based on independent experts’ valuations for Euro 91.1 million.

The transfers to other asset categories refer to the payments on account made in previous years to the companies Im.Co. S.p.A and Avvenimenti e Sviluppo Alberghiero S.r.l. (subsidiary of Im.Co.) in relation to purchase contracts of future construction operations at

Via Confalonieri - Via de Castillia (Lunetta dell'Isola) at Milan and Via Fiorentini at Rome. Following the bankruptcy judgment of Im.Co. and Sinergia of June 14, 2012 by the Civil Section of the Milan Court, the book value of these real estate initiatives, which until the 2011 financial statements were recognised in the account *Investment Property*, was reversed and recognised to the account *Other Receivables*. The above-stated operations provided that Milano Assicurazioni would become the owner of these buildings only when completed and approved and the contracts did not contain specific guarantees. The declaration of bankruptcy therefore put the company at risk of losing the right of delivery of these buildings under construction, remaining creditors for the amounts paid on account.

In relation to the write-downs, it should be noted that the lower value attributed to the properties compared to the valuations already prudently made in the previous year were impacted by the underlying economic difficulties in which the real estate sector values are not expected to increase.
The general outlook anticipates unsold building stock or repossessions against unpaid mortgages and continued difficulty in accessing credit by both sector operators and private individuals.
In addition, the introduction of the IMU property tax, much higher than the previous ICI property tax, significantly impacted all asset values calculated under yield methods such as the DCF.

Against this background it is difficult to anticipate, at least in the short-term period, that the Group development projects and other real estate initiatives can result in the full recovery of investments.
These problems are also compounded by significant over-supply in the services sector between demand and offer, with prolonged selling periods and increased requests for discounts by operators.
Finally, the risk perception by investors continues to remain high and which has resulted in a reduction by valuers in the expected yields for vacant buildings or development projects, an increase in the discount rate and of the exit yield in the DCF models utilised for the valuation of assets, with a consequent reduction in the market value in the properties.
Finally, we report that the valuation of the real estate assets in 2012 was assigned to the same independent expert utilised in 2011 in order to ensure methodological continuity, an important factor considering the difficulties in the market.
The breakdown of the write-downs are reported in the Explanatory Notes.

Overall, the book value at December 31, 2012 was Euro 125.3 million lower than independent experts' valuations.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures principally include:

- the holding of 32% in **Garibaldi S.C.A.** with a book value of Euro 70.3 million. The company is involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between viale Don Sturzo, via Melchiorre Gioia, via Viganò, via De Cristoforis, via Rosales, corso Como and piazzale Freud. The updated project concerns the development of 51,000 sq.m. for office use, 20,000 sq.m. with exposition potential, 10,000 sq.m for commercial use and 4,000 sq.m. for residential use;

- the holding of 34.63% in the consortium company **Fondiaria-Sai Servizi Group**, with a book value of Euro 13.3 million, which handles the IT and logistical services of the companies of the former Fondiaria-Sai Group;
- the holding of 29.56% in Isola S.C.A. with a book value of Euro 12.8 million. The company, through its subsidiaries, is involved in the "Porta Nuova Isola" real estate project, promoted and managed by the US group Hines. The area concerned is located in Milan, between Via G. De Castillia and Via F. Confalonieri and involves the development of 29,000 sq. m. divided into: 22,000 sq.m. for residential use, 6,300 sq.m for service use and 700 sq. m for local retail use;
- the holding of 35.83% in Immobiliare Lombarda with a book value of Euro 6.9 million;
- the holding of 50% in Valore Immobiliare S.r.l., with a book value of Euro 0.6 million. With the completion of the sale of the property and therefore having completed its corporate purpose, the company was placed in liquidation in April. Against this liquidation, also in April, a first part of the equity was repaid to Milano Assicurazioni, amounting to Euro 4.7 million;
- a holding of 44.93% in Borsetto S.r.l., with a book value of Euro 2.5 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress.
- a holding of 20% in Penta Domus s.r.l., with a book value of Euro 2.8 million. The company holds 49% of the capital of Cinque Cerchi S.p.A., a company owner of the "Spina 3" area in Turin, with total potential building area of approx. 114,000 sq. metres.
  In 2012, the development continued of the first building lot of approx. 18,000 sq. metres for residential use, of which approx. 4,000 sq. metres for social housing. In December 2012, the associated company presented to the Turin Municipality the definitive project relating to the second building lot for the Construction Permit. The project involves two buildings with a total gross area of 19,000 sq. metres for residential use, which includes approx. 5,000 sq. metres of social housing. The approval time required is about 6 months.

Investments held to maturity

The account exclusively includes securities related to policies with fixed returns or covered by contractual commitments realised through specific assets.

Loans and receivables

The account *Loans and Receivables* includes:

- debt securities of Euro 787.5 million. These principally concern Italian government bonds undertaken in “private placement” as a stable investment and not listed on the Italian Stock Market;
- loans on life policies of Euro 19.3 million;
- receivables from agents for end of mandate indemnities (Euro 59.8 million);
- deposits with reinsuring companies of Euro 1.9 million;
- other financial investments for Euro 10 million;
- other loans and receivables for Euro 13 million.

AFS financial assets

The AFS financial assets include debt and capital securities not otherwise classified and represents the largest category of the financial instruments, in line with the characteristics and purposes of the insurance activity. The breakdown of the account is as follows:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
AFS financial assets	**6,508,286**	**6,084,206**	**424,080**
Equity securities and investment funds	559,604	888,844	-329,240
Debt securities	5,948,682	5,195,362	753,320

The listed financial instruments recorded in this category are valued at the market value at the last day of trading in the period or, in the absence of a listing on an active market, through alternative valuation models based on parameters generally utilised by operators.
The difference compared to the average weighted cost is recorded in a net equity reserve, except on the recording of impairment losses.

The impairments amounted overall to Euro 53.7 million and relate to:

- further impairments for Euro 30.2 million on securities already written down in previous annual and interim accounts and whose book value was aligned to the share price at year end in accordance with IAS 39 (IG.E.4.9). These principally concern shares of Generali (Euro 9.7 million), Unicredit (Euro 9.8 million) and RCS (Euro 2 million);
- impairments relating to securities impacted by the continued poor financial market performance, resulting in the year of a listed value lower than the book value for a continuous period of at least 3 years (Euro 4.8 million);
- impairments on securities presenting a reduction in market value at the end of the period of greater than 50% of their original cost (Euro 7.2 million).
- impairments based on analytical valuations for Euro 11.4 million principally relating to Mediabanca shares (Euro 10.3 million).

It should be noted that the above-mentioned significance thresholds for the automatic recognition of impairment on listed equity securities recorded under assets available for sale (losses over a period of at least 3 years or losses above 50% of the book value) changed compared to the previous year interim and annual accounts, also to align with the criteria adopted by the Unipol Group which, from July of the current year, acquired control of the Premafin Group.
The change did not have a significant economic effect (Euro 1 million higher impairment charge before tax). For further information on the impairment policy and on the changes compared to the previous year, reference should be made to the accounting principles.

The current value of the investment in the Bank of Italy was updated based on valuation methods commonly utilised by financial analysts. The fair value valuation of the investment was Euro 46 million (Euro 40 million in 2011) compared to a historical cost of Euro 8 thousand and resulted in the recording of a reserve of Euro 45,992 thousand, before the tax effect.

The net equity reserve, based on the difference between the average weighted cost and the fair value of instruments classified in this category, was positive for Euro 106.7 million (negative for Euro 222.2 million at December 31, 2011). The following table highlights the composition and movements on the previous year:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Debt securities	89,429	-414,424	503,853
Fund units	26,381	49,024	-22,643
Equity securities	52,167	-25,549	77,716
Shadow accounting reserve	-36,410	71,515	-107,925
Tax effect	-24,902	97,256	-122,158
AFS reserve at the end of the period	**106,665**	**-222,178**	**328,843**

The significant improvement is primarily due to the recovery of Italian government bonds compared to the particularly depressed prices at the end of 2011 when the spread with the German Bund reached over 500 basis points.

Government bonds issued by Greece

As previously outlined, the difficult conditions which have affected the Greek economy for some time required the introduction of initiatives to restructure the Greek debt securities.

After various intervention proposals discussed in 2011, on February 24, 2012 an exchange offer on Greek government securities was finally 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 companies of the Group subscribed for all securities held.

It is recalled that already in the 2011 annual accounts all the Greek securities held were recorded at year-end stock prices, recording the entire difference to the income statement of Euro 40.8 million. Following the impairment made, the total carrying value of these securities was Euro 13.1 million.
The securities issued by the Greek state through the exchange offer were recorded to the *Held-for-trading* category, recognising a loss of Euro 2.3 million, equal to the difference between the fair value of the new securities on allocation and the residual book value of the securities previously held. In this regard, during the third quarter, due to optimism surrounding Greece and its rescue, these securities were sold, removing therefore the exposure towards Greece.

Government bonds issued by Spain, Portugal, Ireland and Italy

The following table breaks down the exposure of the Milano Assicurazioni Group to government securities issued by other countries (the so-called Peripheral countries of the Eurozone) recorded to AFS assets. In accordance with that recently requested by the European Securities and Markets Authority (ESMA) also the Italian government securities are reported in the table (in thousands of Euro).

State	Maturity within 12 months	Maturity between 1 and 5 years	Maturity between 6 and 10 years	Maturity beyond 10 years	Total Fair value (level 1)	AFS reserve (gross)	AFS reserve (net shadow)
Spain	-	-	-	20,902	20,902	-4,931	-2,387
Portugal	-	994	-	-	994	-13	-6
Ireland	-	1,328	1,298	-	2,626	49	24
Italy	424,429	2,167,855	1,355,283	797,314	4,744,881	48,220	23,338

The portfolio at December 31, 2012 also included:

- Euro 489.7 million of Italian government debt securities classified in the Loans & Receivables category (of which Euro 186 million with maturity between 1 and 5 years and Euro 303.7 million with maturity between 6 and 10 years) which report a gain on market prices at year-end of Euro 13.4 million;
- Euro 25.4 million of Italian government debt securities classified in the Held to Maturity category (of which Euro 0.9 million with maturity within 1 year and Euro 24.5 million with maturity between 1 and 5 years). These securities report a gain compared to the market prices at year-end of Euro 0.5 million.

Financial assets at fair value through profit or loss

The *Financial assets valued at fair value through profit or loss* includes the securities held for trading as well as those specifically allocated to this category. The listed financial instruments recorded in this category are valued at market value at the last day of trading in the period, with allocation of the difference to the carrying value to the income statement. The breakdown of the account is as follows:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Financial assets at fair value through profit or loss	**165,092**	**226,104**	**-61,012**
Equity securities and investment funds	37,945	48,775	-10,830
Debt securities	125,507	165,203	-39,696
Other financial investments	1,640	12,126	-10,486

Property and other fixed assets

The account *Property*, recorded under *Tangible fixed assets*, includes buildings for use by the company. These buildings are recorded at cost and depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.

The Group annually undertakes independent expert valuations to determine the current value of its land and buildings. Based on the valuations made, impairments were recorded of Euro 12.5 million on the buildings of the subsidiary Sintesi Seconda S.r.l. in Via dei Missaglia, No. 97, Milan.
After the impairments described above, the independent valuation of the property at December 31, 2012 was Euro 1.7 million above the book value.

Income from financial instruments and property investments

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

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Net income from financial instruments recorded at fair value through profit or loss	11,200	-15,127	26,327
Income from subsidiary and associated companies and joint ventures	594	388	206
Income from other financial instruments and property investments of which:	*384,244*	*372,321*	*11,923*
Interest income	237,440	238,143	-703
Other income	46,626	51,803	-5,177
Profits realised	96,656	82,375	14,281
Valuation gains	3,522	-	3,522
Total income	**396,038**	**357,582**	**38,456**
Charges from investments in subsidiaries, associates and joint ventures	-23,446	-17,549	-5,897
Charges from other financial instruments and property investments of which:	*-267,109*	*-392,761*	*125,652*
Interest expense	-10,905	-12,518	1,613
Other charges	-20,455	-21,290	835
Losses realised	-61,082	-52,355	-8,727
Valuation losses	-174,667	-306,598	131,931
Total charges	**-290,555**	**-410,310**	**119,755**
TOTAL NET INCOME	**105,483**	**-52,728**	**158,211**

The table reports net income of Euro 105.5 million compared to net charges of Euro 52.7 million in 2011. The turnaround in the result is due to the net losses on investment valuation which, although high in the current year, are lower than those reported in 2011. In particular, in relation to the most significant accounts:

- interest income of Euro 237.4 million, substantially in line with Euro 238.1 million in 2011;
- net profits to be realised amounted to Euro 35.6 million (Euro 30 million in 2011), of which Euro 45.9 million income on bond securities, Euro 17.4 million income on property investments, Euro 20.1 million losses on equities and Euro 7.6 million losses on investment fund units;
- the net valuation losses amounted to Euro 171.1 million, significantly reducing on Euro 306.6 million in 2011 and concern impairments on Available for Sale financial instruments and Loans and Receivables for Euro 55.6 million, depreciation on property for Euro 24.4 million and property impairments of Euro 91.1 million based on updated independent experts' valuations;
- the financial instruments at fair value recorded through profit and loss report income of Euro 11.2 million compared to charges of Euro 15.1 million in 2011. The result for the year 2011 was impacted by the loss of Euro 17.9 million deriving from the sale of option rights concerning the parent company Fondiaria-Sai, undertaken in accordance with the provisions of the civil code which do not allow a company to subscribe to the shares of the parent company;
- the charges from subsidiaries, associates and joint ventures principally include the losses recorded in the period by Atahotels, which continues to be affected by the weak hotel sector, both in relation to vacation and business volumes. The result was also affected by the high level of rents paid on the hotels managed and write-downs on intangible and tangible fixed assets.

Treasury shares and shares of holding companies

At December 31, 2012, the Parent Company Milano Assicurazioni held treasury shares, shares of the direct parent company Fondiaria-SAI and of the indirect parent companies Premafin and Unipol Gruppo Finanziario as shown in the table below:

(in Euro thousands)	**Number**	**Amount**
Treasury shares	6,764,860	31,353
Unipol Gruppo Finanziario shares	16,000	24
Premafin shares	9,157,710	1,175
Fondiaria-SAI shares	99,825	95

As established by IAS 32.33, treasury shares are valued at acquisition cost and the corresponding value is subtracted from shareholders' equity. The shares of the direct parent company Fondiaria-Sai and the indirect parent companies Premafin and Unipol Gruppo Finanziario are recognised under “AFS financial assets” and as such are valued at the market price on the last trading day of the year.

Other Information

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.milass.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 FONDIARIA-SAI, 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).

<u>Description of the principal characteristics of the risk management and internal control system in place in relation to financial disclosure</u>
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*, based on the COBIT approach (*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 Internal Control Committee on the situation in relation to the offsetting actions identified, supported by the dedicated unit.

Litigation

At December 31, 2012, there were 39,180 claims open, of which 29,851 related to the Motor TPL class. During the year, a total of 21,700 cases were defined, of which 18,488 relating to the Motor TPL class. The number decreased compared to the previous year (at December 31, 2011 a total of 44,631 cases were opened, of which 34,693 relating to the Motor TPL class).

Stock Exchange Listing

In 2012, the ordinary share price was within a range of between a minimum of Euro 0.2136 on January 11, 2012 and a maximum of Euro 0.3601 on September 25, 2012; the minimum price for savings shares was Euro 0.1828 on January 10, 2012 with a maximum of Euro 0.4111 on December 20, 2012.

The stock exchange capitalisation at the year-end was Euro 614.2 million (Euro 440.1 million at 31/12/2011), lower than the net book value. In so far as this fact may be seen as an external sign of a loss in value, it is highlighted that the Stock Market listing prices reflect transactions between minority shareholders which do not include the right to control the management policies of the entity. The impairment tests carried out for the purposes of the financial statements confirm the correctness of the shareholders' equity recorded.
For detailed information on the impairment tests carried out, reference should be made to part B of the present report and in particular the comment relating to the account *Goodwill*.

CONSOB Resolution No. 18432 of December 21, 2012 relating to Milano Assicurazioni

On October 5, 2012, CONSOB communicated to Milano Assicurazioni that based on its review the 2011 statutory and consolidated financial statements of the Company may not have been prepared in accordance with the applicable accounting standards, with particular reference to the accounting of the motor vehicle civil liability class.

On October 22, 2012, Milano Assicurazioni communicated to CONSOB their considerations in relation to the above facts and circumstances through a communication and not to be in agreement with the issues raised by CONSOB.

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

a) the issues raised by CONSOB in relation to correct accounting in the above financial statements;
b) the national provisions and the International Accounting Standards applied and the violations highlighted by CONSOB;
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, Milano Assicurazioni made available to the public the information requested with a press release published on December 27, 2012, as reproduced in full below.

Milan, December 27, 2012

Milano Assicurazioni S.p.A. (hereafter "**Milano Assicurazioni**" or the "Company"), on the request of the Stock Market National Commission (hereafter "**Consob**" and/or "**the Authority**"), issues the following communication.

It is stated that:

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

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

a) the issues raised by Consob in relation to correct accounting in the above financial statements;

b) the national provisions and the International Accounting Standards applied and the violations highlighted;

c) the presentation of the pro-forma consolidated financial statements with comparative figures of the effects that recognition according to the rules would have on the balance sheet, income statement and net equity for the years 2010 and 2011, which were reported in error.

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

- of the significant revaluation of the prior year Motor TPL claims provisions recognised in the 2011 consolidated income statement totaling Euro 330 million (Euro 310 million in the 2011 statutory financial statements), which significantly impacted the 2011 loss;

- of the insufficient 2010 Motor TPL claims provisions highlighted by Isvap communicated on November 17, 2011 as a minimum of Euro 203 million relating to 2009 and prior years;

Milano Assicurazioni issues the following replies.

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

The issues raised by Consob concern:

- for the 2011 consolidated financial statements: the fact that the revaluation of the Motor TPL claims provision for the 2009 and prior year generations – recognised by the Company in the preparation of the 2011 financial statements – should have been reported, according to Consob, as an error and recognised in accordance with IAS 8 with the restatement of the 2010 financial statements;
- for the 2011 statutory financial statements: the need for sufficient additional disclosure in the 2011 financial statements in relation to the fact that the result for the year, for the part concerning the insufficient TPL Motor claims provisions of the 2009 and prior year generations highlighted by Isvap (Euro 203 million) should have been reported in the previous year.

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

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

- for the 2011 consolidated financial statements: IAS 8 "Accounting policies, changes in accounting estimates and errors" (paragraphs 42 and subsequent), IFRS 4 "Insurance contracts", as well as IAS l "Presentation of financial statements" (paragraph 27), consider that the omissions and/or errors as highlighted by Consob are considered "material" in accordance with IAS 1, paragraph 7.

  IAS 8 establishes in fact that an error in a prior year – in this case, according to Consob, the underestimation of Motor TPL claims provisions in 2010 – must be corrected by retroactive establishment of values in the first authorised financial statements after discovery, re-determining the comparative amounts or, if the error relates to a year before that immediately preceding, the re-calculation of the opening asset, liabilities and net equity for the year immediately preceding.

  The non-application of IAS 8 resulted in the non-compliance of the 2011 Company consolidated financial statements with paragraph 27 of IAS l, which provides that an entity must prepare its financial statements according to the accruals principle. According to this principle, the effects of operations and other events are recorded to the financial statements of the relative periods in which they occur.
- for the 2011 statutory financial statements: compliance with the governing regulations and in particular the provisions of Articles 2423, paragraph 2 and subsequent and 2423 *bis* of the Civil Code.

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS AND COMPARATIVE FIGURES

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

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

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

****

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

1) It is therefore noted:

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

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

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

* * *

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

Milano Assicurazioni S.p.A.
www.milass.it

ATTACHMENTS:

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

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

Attachment "A"

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

BALANCE SHEET – ASSETS

(in Euro thousands)

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

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

(in Euro thousands)

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

INCOME STATEMENT

(in Euro thousands)

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

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

COMPREHENSIVE INCOME STATEMENT

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

NOTE:

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

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

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

Attachment "B"

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

BALANCE SHEET – ASSETS

(in Euro thousands)

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

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

(in Euro thousands)

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

INCOME STATEMENT

(in Euro thousands)

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

	CONSOLIDATED LOSS	**-487,607**	**133,000**	**-354,607**
	group share	-487,479	133,000	-354,479
	minority share	-128	0	-128

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

COMPREHENSIVE INCOME STATEMENT

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

NOTE:

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

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

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

Significant events after the end of the year

IVASS Authorisation procedure of the Merger

On 15 January 2013, IVASS, in response to the application drawn up jointly by Premafin, Fondiaria-SAI, Unipol Assicurazioni and Milano Assicurazioni on December 28, 2012 in order to obtain authorisation for the merger by incorporation into Fondiaria- SAI of Premafin, Unipol Assicurazioni, Milano Assicurazioni, communicated the commencement of the relative authorisation procedure from December 28, 2012. The deadline fixed for the procedure was 128 days from commencement, excluding suspension.

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

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.

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

On March 14, 2013, the Ordinary Shareholders' Meeting of Milano Assicurazioni was held in second call, which had been requested by the *ad acta* Commissioner of FONDIARIA-SAI S.p.A., Mr. Matteo Caratozzolo.
The Shareholders' Meeting approved by a 99.79% majority of ordinary shareholders represented at the meeting, the pursuit of the corporate responsibility action against those indicated in the Report prepared for the Shareholders' Meeting by the *ad acta* 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.

CONSOB Request of April 17, 2013 - Prot. No. 13032790

The Board of Directors' meeting of March 20, 2013 approved the draft consolidated financial statements for the year-end December 31, 2012 which, together with the other documents required as per Article 154-*ter*, paragraph 1, of Legislative Decree No. 58 of February 24, 1998 (CFA), was made available to the public on April 4, 2013 in accordance with the provisions of law.

This document was prepared taking into account, for disclosure purposes only, the matters noted in CONSOB Decision No. 18432 of December 21, 2012. This section "Other Information" of the Present Report includes the full content of the Press Release issued by the Company on December 27, 2012 which contains additional disclosure pursuant to Article

154-*ter*, paragraph 7 of the CFA concerning the Consolidated Financial Statements for the years ended December 31, 2011 and December 31, 2010.

The Company, as reported in the above mentioned press release of December 27, 2012, supported by authoritative opinions, does not agree with the position of the Supervision Authority Decision No. 18432 of December 21, 2012, which considers the accounting treatment adopted by the company in the Consolidated Financial Statements for the year-end December 31, 2011 not to be in compliance with IAS/IFRS.

Subsequent to the filing of the Shareholders' Meeting documentation CONSOB, with communication of April 17, 2013 No. 13032790, requested the Company to issue without delay a press release stating the reasons why the Board of Directors of the Company, in the draft consolidated financial statements approved on March 20, 2013, did not apply the provisions of IAS 8 relating to the comparative figures for the 2011 consolidated financial statements and therefore in order to correct the errors noted in the above-mentioned Decision No. 18432 of December 21, 2012.

Given the above and considering the position of CONSOB, the Board of Directors considered it appropriate to adjust the consolidated financial statements approved on March 20, 2013, including, where applicable, in the consolidated Directors' Report, Financial Statements and Explanatory Notes, the above-mentioned 2011 comparative figures (as published on December 27, 2012), restated as described in the paragraph "Additional disclosures in the financial statements and explanatory notes to the 2011 comparative figures".

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

Outlook

We recall that on November 30, 2012 the new Board of Directors of Milano Assicurazioni took office, based on the slate presented by Unipol Gruppo Finanziario S.p.A..

Management will focus on consolidating the work performed to date on the integration project with the Unipol Group, 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 merger will create a leader in the Italian insurance market, first in the Non-Life and Motor TPL sectors with a client base of 14 million and the most extensive agency network in Italy.

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

Bologna, April 24, 2013

MILANO ASSICURAZIONI S.p.A.
The Board of Directors

Consolidated Financial Statements

In accordance with IAS 1.10, the Financial Statements consist of:

- Balance Sheet
- Income Statement
- Statement of Comprehensive income
- Statement of change in shareholders' equity
- Cash flow statement
- Notes to the financial statements which contain, among others, the accounting policies and the evaluation criteria adopted.

The balance sheet, income statements, the statement of changes in shareholders' equity and the cash flow statement are prepared according to the format approved by Isvap with Regulation No. 7 of July 13, 2007 and the modifications introduced by Provision No. 2784 of March 8, 2010.

In particular, the comprehensive income statement includes profits and losses which are recorded to net equity as required and permitted by the IAS/IFRS International Accounting Standards; a statement of the other components of the comprehensive income statement are also reported, prepared based on Provision No. 2784.

The notes to the financial statements take account of the information requested by the above-stated Isvap Regulation and contain additional information which are considered best practice, particularly in relation to some illustrative examples contained in some IAS standards.

ADDITIONAL DISCLOSURE IN THE FINANCIAL STATEMENTS AND EXPLANATORY NOTES RELATING TO THE 2011 COMPARATIVE FIGURES

As illustrated in the Directors' Report in the section "Subsequent events after the year-end", following CONSOB measure of April 17, 2013, protocol No. 13032790, the Company presented in the financial statements and explanatory notes the column "IAS 8 Restated" already communicated to the market on December 27, 2012 following CONSOB Decision No. 18432 of December 2012, in addition to the figures presented for comparative purposes for the 2012 consolidated financial statements approved by the Board of Directors on March 20, 2013.

Therefore, reference should be made to the press release published by the Company on December 27, 2012, attached to the present Consolidated Financial Statements, concerning the publication of additional disclosures to the 2011 and 2010 Consolidated Financial Statements, following CONSOB request pursuant to Article 154-*ter* of Legislative Decree No. 58/98.

In the financial statements and explanatory notes the reference to “IAS 8 Restated” figures refers to those made exclusively in accordance with CONSOB Decision No. 18432 of December 21, 2012.

This is required as the above-mentioned measure requires that “the declaration of non-conformity and the additional disclosures requested above must, in addition, be provided together with the 2012 Annual Report, as well as the other documents published for the market concerning reporting of the 2011 financial statements of Milano Assicurazioni”.

In particular, the restatement of the 2011 figures were as follows:
- claims charges: these reduced by Euro 203 million, as this amount, which represents the differential of the Motor TPL claims provision highlighted by ISVAP in the Note of significant issues for Milano Assicurazioni, was considered, according to CONSOB Decision No. 18432, as a correction of error of the previous Consolidated Financial Statements and therefore, including the relative tax effect, reduced the equity reserves;
- income taxes: these increased by Euro 70 million, equal to the tax effect concerning the change to the claims charge.

This restatement resulted in a reduction in the 2011 loss of Euro 133 million and a reduction of a similar amount of the equity reserves, with a total net equity which remains unchanged.
In addition, these changes did not result in any amendment of the insurance liabilities represented by the claims provisions nor of the adjusted solvency margin.
In relation to the cash flow statement, neither the net liquidity deriving from operating activities nor the overall change in “Cash and cash equivalents” altered.

Finally, the changes to the closing balances presented in the Statement of changes in shareholders’ equity represent the balance of the restatement previously illustrated, without, as previously stated, any change on the Comprehensive net equity at December 31, 2011.

The 2011 Earnings per share table was also restated in line with IAS 8.

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

BALANCE SHEET - ASSETS

		2012	2011 IAS8 Restated	2011
1	**INTANGIBLE ASSETS**	**234,775**	**242,489**	**242,489**
1.1	Goodwill	230,851	231,052	231,052
1.2	Other intangible assets	3,924	11,437	11,437
2	**PROPERTY, PLANT & EQUIPMENT**	**39,009**	**52,350**	**52,350**
2.1	Property	34,737	47,006	47,006
2.2	Other tangible assets	4,272	5,344	5,344
3	**REINSURANCE ASSETS**	**340,154**	**328,931**	**328,931**
4	**INVESTMENTS**	**8,475,412**	**8,355,884**	**8,355,884**
4.1	Investment property	613,188	910,693	910,693
4.2	Investments in subsidiaries, associates and joint ventures	111,964	100,416	100,416
4.3	Investments held to maturity	185,360	128,927	128,927
4.4	Loans and receivables	891,522	905,538	905,538
4.5	AFS financial assets	6,508,286	6,084,206	6,084,206
4.6	Financial assets at fair value through the profit or loss account	165,092	226,104	226,104
5	**OTHER RECEIVABLES**	**975,035**	**959,272**	**959,272**
5.1	Receivables from direct insurance operations	502,380	614,040	614,040
5.2	Receivables from reinsurance operations	32,505	47,067	47,067
5.3	Other receivables	440,150	298,165	298,165
6	**OTHER ASSETS**	**421,925**	**558,122**	**558,122**
6.1	Non-current assets or of a discontinued group held for sale		44,503	44,503
6.2	Deferred acquisition costs	13,890	10,741	10,741
6.3	Deferred tax assets	283,663	393,848	393,848
6.4	Current tax assets	42,100	40,595	40,595
6.5	Other assets	82,272	68,435	68,435
7	**CASH AND CASH EQUIVALENTS**	**320,299**	**470,804**	**470,804**
	TOTAL ASSETS	**10,806,609**	**10,967,852**	**10,967,852**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

		2012	2011 IAS8 Restated	2011
1	**SHAREHOLDERS' EQUITY**	**1,039,231**	**929,537**	**929,537**
1.1	**Group**	**1,037,896**	**928,212**	**928,212**
1.1.1	Share Capital	373,682	373,682	373,682
1.1.2	Other equity instruments			
1.1.3	Capital reserves	406,634	951,244	951,244
1.1.4	Retained earnings and other reserves	413,991	217,086	350,086
1.1.5	(Treasury shares)	-31,353	-31,353	-31,353
1.1.6	Translation reserve			
1.1.7	Profit or loss on AFS financial assets	106,665	-222,178	-222,178
1.1.8	Other gains and losses recorded directly in equity	-15,676	-5,790	-5,790
1.1.9	Group net loss	-216,047	-354,479	-487,479
1.2	**minority interest**	**1,335**	**1,325**	**1,325**
1.2.1	Share capital and reserves pertaining to minority interests	1,456	1,461	1,461
1.2.2	Gains and losses recorded directly in equity		-8	-8
1.2.3	Minority interest loss	-121	-128	-128
2	**PROVISIONS**	**92,101**	**119,870**	**119,870**
3	**INSURANCE CONTRACT LIABILITIES**	**8,874,513**	**9,072,199**	**9,072,199**
4	**FINANCIAL LIABILITIES**	**327,405**	**370,197**	**370,197**
4.1	Financial liabilities at fair value through profit or loss	72,510	70,858	70,858
4.2	Other financial liabilities	254,895	299,339	299,339
5	**PAYABLES**	**312,522**	**290,509**	**290,509**
5.1	Payables from direct insurance operations	19,495	24,723	24,723
5.2	Payables from reinsurance operations	33,272	26,604	26,604
5.3	Other payables	259,755	239,182	239,182
6	**OTHER LIABILITIES**	**160,837**	**185,540**	**185,540**
6.1	Liabilities in a discontinued group held for sale		0	0
6.2	Deferred tax liabilities	36,078	46,542	46,542
6.3	Current tax liabilities	10,096		
6.4	Other liabilities	114,663	138,998	138,998
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**10,806,609**	**10,967,852**	**10,967,852**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER31, 2012

INCOME STATEMENT

In Euro thousands

		2012	2011 IAS8 Restated	2011
1.1	Net premiums	3,074,067	3,279,514	3,279,514
1.1.1	*Gross premiums written*	*3,205,532*	*3,421,124*	*3,421,124*
1.1.2	*Premiums ceded to re-insurers*	*-131,465*	*-141,610*	*-141,610*
1.2	Commission income	783	851	851
1.3	Income and charges from financial instruments at fair value through profit or loss	11,200	-15,127	-15,127
1.4	Income from investments in subsidiaries, associates and joint ventures	594	388	388
1.5	Income from other financial instruments and property investments	384,244	372,321	372,321
1.5.1	*Interest income*	*237,440*	*238,143*	*238,143*
1.5.2	*Other income*	*46,626*	*51,803*	*51,803*
1.5.3	*Profits realised*	*96,656*	*82,375*	*82,375*
1.5.4	*Valuation gains*	*3,522*		
1.6	Other revenues	168,589	180,098	180,098
1	**TOTAL REVENUES AND INCOME**	**3,639,477**	**3,818,045**	**3,818,045**
2.1	Net charges relating to claims	-2,669,764	-2,859,765	-3,062,765
2.1.1	*Amounts paid and changes in insurance contract liabilities*	*-2,773,898*	*-2,920,757*	*-3,123,757*
2.1.2	*Reinsurers' share*	*104,134*	*60,992*	*60,992*
2.2	Commission expenses	-121	-233	-233
2.3	Charges from investments in subsidiaries, associates and joint ventures	-23,446	-17,549	-17,549
2.4	Charges from other financial instruments and property investments	-267,109	-392,761	-392,761
2.4.1	*Interest expense*	*-10,905*	*-12,518*	*-12,518*
2.4.2	*Other charges*	*-20,455*	*-21,290*	*-21,290*
2.4.3	*Losses realised*	*-61,082*	*-52,355*	*-52,355*
2.4.4	*Valuation losses*	*-174,667*	*-306,598*	*-306,598*
2.5	Management expenses	-588,484	-632,686	-632,686
2.5.1	*Commissions and other acquisition expenses*	*-473,384*	*-508,066*	*-508,066*
2.5.2	*Investment management charges*	*-5,526*	*-5,521*	*-5,521*
2.5.3	*Other administration expenses*	*-109,574*	*-119,099*	*-119,099*
2.6	Other costs	-371,187	-336,679	-336,679
2	**TOTAL COSTS AND CHARGES**	**-3,920,111**	**-4,239,673**	**-4,442,673**
	LOSS BEFORE TAXES	**-280,634**	**-421,628**	**-624,628**
3	Income tax	63,310	36,170	106,170
	NET LOSS	**-217,324**	**-385,458**	**-518,458**
4	**PROFIT FROM DISCONTINUED OPERATIONS**	**1,156**	**30,851**	**30,851**
	CONSOLIDATED LOSS	**-216,168**	**-354,607**	**-487,607**
	group share	**-216,047**	**-354,479**	**-487,479**
	minority share	**-121**	**-128**	**-128**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

COMPREHENSIVE INCOME STATEMENT

	2012	2011 IAS 8 Restated	2011
CONSOLIDATED LOSS	**-216,168**	**-354,607**	**-487,607**
Change in translation reserve			
Profit or loss on AFS financial assets	328,851	-224,172	-224,172
Profit or loss on cash flow hedges	-4,832	-2,522	-2,522
Profit or loss on a net foreign investment hedge			
Change in net equity of holdings			
Change in revaluation reserve of intangible assets			
Change in revaluation reserve of tangible fixed assets			
Income/(charges) on non-current assets or of a discontinued group held for sale			
Actuarial profits and losses and adjustments to employee defined plans	-5,054	402	402
Others items			
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**318,965**	**-226,292**	**-226,292**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	**102,797**	**-580,899**	**-713,899**
group share	**102,910**	**-580,766**	**-713,766**
minority share	**-113**	**-133**	**-133**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

Details of other comprehensive income statement items

	Allocation		Adjustments from reclassifications to Income Statement	
	2012	2011	2012	2011
Translation reserve				
Profit or loss on AFS financial assets	226,296	-369,439	102,555	145,267
Profit or loss on cash flow hedges	-4,832	-2,522		
Profit or loss on a net foreign investment hedge				
Reserve on net equity changes in investments				
Revaluation reserve of intangible assets				
Revaluation reserve of tangible assets				
Income/(charges) on non-current assets or of a discontinued group held for sale				
Actuarial profits and losses and adjustments to employee defined plans	-5,054	402		
Others items				
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**216,410**	**-371,559**	**102,555**	**145,267**

Other changes		Total changes		Income tax		Balance	
2012	2011	2012	2011	2012	2011	2012	2011
		328,851	-224,172	-122,163	91,005	106,665	-222,186
		-4,832	-2,522	2,525	1,318	-8,373	-3,541
		-5,054	402	2,641	-210	-7,303	-2,249
		318,965	**-226,292**	**-116,997**	**92,113**	**90,989**	**-227,976**

Consolidated statement of changes in Shareholders’ Equity for the year ended December 31, 2012

Relating to the statement of change in shareholders' equity, the attachment to Isvap Regulation No. 7 of July 13, 2007, as modified by ISVAP provision No. 2784 of March 8, 2010, which satisfies the disclosures of IAS 1, is shown below.

The column *allocation* relates to the allocation of the profit or loss for the year, the allocation of the profit for the previous year to the reserves, the increase in share capital and other reserves, the internal movements to the equity reserves and the changes in profits and losses recorded directly in equity.

The column *Reclassification adjustments to the income statement* include the gains and losses previously recorded directly in equity which are reclassified in the income statement in accordance with international accounting standards (for example following the sale of an AFS financial asset).

The *transfers* report the ordinary and extraordinary distribution of dividends, the decrease of capital and other reserves, among which the purchase of treasury shares and the attribution of profits or losses recorded directly to net equity to other Balance Sheet accounts.

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

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Balance at 31-12-10	Change in opening balances	Allocation
Group shareholders' equity	Share Capital	305,851		67,831
	Other equity instruments			
	Capital reserves	718,147		233,097
	Retained earnings and other reserves	980,995	-133,000	-497,909
	(Treasury shares)	-31,353		
	Loss for year	-668,711		181,232
	Other comprehensive income	-1,681		-371,554
	Total Group	**1,303,248**	**-133,000**	**-387,303**
Shareholders' equity – minority interest	Share capital and reserves	1,502		-41
	Loss for year	-180		52
	Other comprehensive income	-3		-5
	Minority share	**1,319**		**6**
Total		**1,304,567**	**-133,000**	**-387,297**

Adjustments from reclassifications to Income Statement	Transfers	Balance at 31-12-11	Change in opening balances	Allocation	Adjustments from reclassifications to Income Statement	Transfers	Balance at 31-12-12
		373,682					373,682
		951,244		-544,611			406,633
		350,086	-133,000	196,906			413,992
		-31,353					-31,353
		-487,479	133,000	138,432			-216,047
145,267		-227,968		216,402	102,555		90,989
145,267		**928,212**		**7,129**	**102,555**		**1,037,896**
		1,461		-5			1,456
		-128		7			-121
		-8		8			0
		1,325		**10**			**1,335**
145,267		**929,537**		**7,139**	**102,555**		**1,039,231**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

CASH FLOW STATEMENT (indirect method)

	2012	2011 IAS 8 Restated	2011
Loss before taxes	**-280,634**	**-421,628**	**-624,628**
Non-cash adjustments	**-128,052**	**238,588**	**441,588**
Change in non-life unearned premium provision	-87,687	-43,050	-43,050
Change in non-life insurance contract liabilities	31,124	163,243	366,243
Change in actuarial provisions and life insurance contract liabilities	-260,269	-231,300	-231,300
Change in deferred acquisition costs	-5,311	-4,660	-4,660
Change in provisions	-27,769	-16,269	-16,269
Non-cash income/charges from financial instruments, property investments and holdings	185,109	316,627	316,627
Other Changes	36,751	53,997	53,997
Change in payables and receivables from operating activities	**98,784**	**53,870**	**53,870**
Change in payables and receivables from direct insurance operations and reinsurance	127,662	50,751	50,751
Change in other payables and receivables	-28,878	3,119	3,119
Income taxes paid	**5,276**	**-583**	**-583**
Net liquidity generated/absorbed from cash items relating to investing and financing activities	**64,515**	**68,542**	**68,542**
Liabilities from financial contracts issued by insurance companies	1,652	8,238	8,238
Bank and interbank payables			
Loans and receivables from banks and interbank			
Other financial instruments at fair value through profit or loss	62,863	60,304	60,304
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**-240,111**	**-61,211**	**-61,211**
Net cash generated/absorbed from property investments	49,940	-18,722	-18,722
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	-11,548	57,472	57,472
Net cash generated/absorbed from loans and receivables	10,004	-246,712	-246,712
Net cash generated/absorbed from investments held to maturity	-55,557	-7,046	-7,046
Net cash generated/absorbed from AFS financial assets	89,332	190,473	190,473
Net cash generated/absorbed from intangible and tangible fixed assets	481	-15	-15
Net cash generated/absorbed from investing activities	44,503		
TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES	**127,155**	**-24,550**	**-24,550**
Net cash generated/absorbed from Group equity instruments	6,764	338,730	338,730
Net cash generated/absorbed from treasury shares		0	0
Distribution of dividends relating to the Group		0	0
Net cash generated/absorbed from minority interest capital and reserves	131	134	134
Net cash generated/absorbed from subordinated liabilities and financial instruments in holdings	-573	661	661
Net cash generated/absorbed from other financial liabilities	-43,871	-67,625	-67,625
TOTAL NET CASH FLOW FROM INVESTNG ACTIVITIES	**-37,549**	**271,900**	**271,900**
Exchange difference effect on cash and cash equivalents			
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	470,804	284,665	284,665
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	-150,505	186,139	186,139
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	320,299	470,804	470,804

Explanatory Notes

Information on the group and activities carried out

Milano Assicurazioni S.p.A. is a leading insurance player on the Italian market, operating in the non-life and life sectors, with consolidated annual premiums of approx. Euro 3.1 billion and a sales network of approx. 1,800 agencies spread throughout the country.

The registered office of the company is Via Senigallia 18/2, Milan. The Company is listed on the Italian Stock Exchange. The principal activities of the Company and of its subsidiaries are described in the Directors’ Report, to which reference should be made.

On July 19, in execution of the investment agreement of January 29, 2012, Unipol Gruppo Finanziario S.p.A. (UGF) executed the share capital increase of Premafin Finanziaria S.p.A. – Holding di Partecipazioni, approved by the Extraordinary Shareholders’ Meeting of June 12, 2012 and reserved to UGF.
With the subscription UGF became the majority shareholder of Premafin with a holding of approx 81%, acquiring consequently indirect control of the Fondiaria-Sai Group and, therefore, Milano Assicurazioni.

On November 14, 2012, the Board of Directors of Unipol Gruppo Finanziario S.p.A., with registered office at Via Stalingrado 45, 40128 - Bologna, approved the commencement of the management and direction of Fondiaria-Sai S.p.A. and of the companies already subject to management and direction of this latter, including Milano Assicurazioni S.p.A..

Milano Assicurazioni also entered the Unipol Insurance Group, enrolled in the registrar of Insurance Groups at No. 046.

PART A - Accounting Policies

Section 1 - Declaration of compliance with international accounting standards and general preparation principles

The consolidated financial statements have been prepared in accordance with International Accounting Standards IAS/IFRS as issued by the IASB (International Accounting Standard Board), approved by the European Union, and on the current interpretation by the official organisations.

The accounting standards utilised for the 2012 financial statements are in line with those of the previous year, with the exception of some amendments applicable from January 1, 2012 described below and which do not have a significant impact on the present consolidated financial statements.

IAS 12 - Income taxes – Deferred taxes: *recovery of underlying assets*

The standard clarifies the determination of the deferred taxes on property investments valued at fair value. The standard introduces the refutable presumption that the book value of a property investment, valued utilising the fair value model as per IAS 40, will be recovered through sale and that, consequently, the relative deferred tax should be valued on a sale basis. The presumption is refutable if the property investment is depreciable and is held with the objective to utilise over time substantially all the benefits deriving from the property investment, instead of realising these benefits through sale.

IFRS 7 – Financial Instruments: *additional disclosure – Transfer of financial assets*

The amendment requires additional disclosure relating to the assets transferred which are not entirely eliminated from the financial statements; the company must provide information which permits the readers of the financial statements to understand the relationship between those assets which are not eliminated and the associated liabilities. If the assets are entirely eliminated, but the company maintains a residual involvement, information must be disclosed which permits the readers of the financial statements to evaluate the nature of the residual involvement of the entity in the activities eliminated and the associated risks.

IFRS 1 - First-time adoption of International Financial Reporting Standards – severe hyperinflation and removal of fixed dates for new users

The IASB provided guidelines on how an entity should present IFRS financial statements when the functional currency ceases to be subject to severe hyperinflation, permitting these entities to utilise fair value as replacement of cost for all assets and liabilities present.
In addition, a new user should apply the provisions on the accounting elimination as per IAS 39 Financial Instruments: Recognition and measurement for operations on the commencement date of IFRS, eliminating the reference to the date January 1, 2004.

* * *

Illustrated below are the standards which, at the preparation date of the Group consolidated financial statements, have been issued and approved but which are applicable from January 1, 2013 or subsequently.

IFRS 10 – Consolidated financial statements, IAS 27 – Separate financial statements

IFRS 10 replaces the part of IAS 27 “Consolidated and separate financial statements” which governs the accounting of consolidated financial statements. This also concerns the issues within SIC-12 “Consolidation – Special purpose entities”.
IFRS 10 establishes a single control model which applies for all companies, including special purpose entities. Compared to the provisions within IAS 27, the changes introduced by IFRS 10 require management to undertake discretional assessments to determine which companies are controlled and, therefore, must be consolidated by the parent company.

IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 “Interests in joint ventures” and SIC-13 “Jointly controlled entities – Non monetary contributions by venturers”.
IFRS 11 eliminates the option to recognise joint subsidiary companies using the proportional consolidation method. The joint subsidiary companies which fulfil the definition of a joint venture must be recognised using the net equity method.

IFRS 12 - Disclosure of interests in other entities

IFRS 12 includes all the provisions concerning disclosure previously included in IAS 27 relating to consolidated financial statements, in addition to the disclosure requirements of IAS 31 and IAS 28. This disclosure concerns investments in a subsidiary, joint venture, associate or vehicle companies. New information disclosure is also included.

IAS 28 - Investments in associates and joint ventures

Following the new IFRS 11 “Joint arrangements” and IFRS 12 “Disclosure of interests in other entities”, IAS 28 was renamed “Investments in associates and joint ventures” and describes the application of the net equity method for the investments in jointly controlled companies, in addition to associates.

IFRS 13 - Fair value measurement

IFRS 13 establishes a single IFRS guideline for all fair value measurement. IFRS 13 does not modify the cases in which the utilisation of the fair value is required, but rather provides a guide on how to measure fair value within IFRS, when the application of the fair value is required or allowed.

IAS 1 Presentation of Financial Statements - disclosure in the financial statements of other components in the comprehensive income statement

The amendment to IAS 1 changes the grouping of the other comprehensive income statement items. The accounts which could be reclassified in the future (or “recycled”) in the income statement (for example, net gains on net investment hedges, translation differences of foreign financial statements, net gains on cash flow hedges and net gains/losses on AFS financial assets) must be presented separately compared to the accounts which may never be reclassified (for example, actuarial gains/losses on defined benefit plans and the revaluation of land and buildings). The amendment concerns only the manner of presentation and does not have any impact on the Group financial position or the results.

IAS 32 – Financial instruments: disclosure in the financial statements – Offsetting of financial assets and liabilities

The amendments clarify the significance of “currently having a legal right to offset”, in addition to the application of the offsetting criteria as per IAS 32 in the case of regulation systems (for example centralised clearing houses) which utilise non-simultaneous gross regulation mechanisms.

IFRS 7 – Financial Instruments: Additional disclosure - Offsetting of financial assets and liabilities

These amendments require the entity to provide disclosures on offsetting rights and related agreements (for example guarantees). The disclosure will provide the readers of financial statements with information to evaluate the effects of the offsetting agreements on the financial position of the entity. The new disclosure is required for all financial instruments subject to offsetting in accordance with IAS 32 "Financial instruments: disclosures in the financial statements". The disclosure is also required for financial instruments which are subject to executive offsetting contracts or similar agreements, independently of the fact that they are offset in accordance with IAS 32.

IAS 19 - Employee Benefits

In June 2012, the new IAS 19 was approved which, among other issues, abolished the corridor approach.

In relation to the accounting standards IFRS 7, 13 and IAS 29, applicable since January 1, 2013, there are no significant economic or equity effects; a review is currently in course to determine the required disclosures. With reference to the other standards mentioned above, an assessment is currently being made on the economic and equity effects.

* * *

The format for the financial statements schedules are those contained in the ISVAP Regulation No. 7 of July 13, 2007 and subsequent amendments and compiled based on the attached instructions.

The accounts also include additional information which are considered best practice, particularly in relation to some illustrative examples contained in some IAS standards.

The financial statements were prepared on the going concern principle. Although the year 2012 reports a loss, which has already been illustrated in detail in the first part of the present Report, there are no significant uncertainties or events or conditions which could give rise to doubts on the ability to continue to operate as a functioning entity. In particular, we highlight that the shareholders equity is adequate for regulatory purposes on group solvency margins. The solvency ratio at the end of the year was over 115%.

Section 2 - Consolidation scope and consolidation methods

CONSOLIDATION PRINCIPLES

The consolidation procedure is in accordance with the provisions of IAS 27 (Consolidated and Separated Financial Statements), of IAS 28 (Accounting of associated investments) and IAS 31 (Investments in joint ventures).

The Parent Company and all of the significant subsidiary companies are included in the consolidation scope. IAS 27 defines control as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
For the verification of the existence of control, reference was made to paragraph 13 of IAS 27.

In compliance with IAS 28, the associated companies are accounted under the equity method.

FINANCIAL STATEMENTS UTILISED FOR THE CONSOLIDATION

For the preparation of the Consolidated Financial Statements, the financial statements of the companies of the Group approved by the respective Boards of Directors were utilised. The financial statements were adjusted, where necessary, to ensure uniform group accounting principles.

CONSOLIDATION METHODS

Line-by-line

The consolidated financial statements includes the financial statements of the Parent Company and those companies in which, directly or indirectly, Milano Assicurazioni S.p.A. holds the majority of the voting rights exercisable in an ordinary shareholders' meeting or in any case a sufficient amount to exercise control, in accordance with IAS 27.13.
Under the line-by-line consolidated method, the book value of each investment is eliminated against the related shareholders' equity, and the total assets and liabilities as well as income and charges of the investing company are recorded.
The share of net equity and result for the period relating to minority shareholders are recorded in specific accounts in the balance sheet and income statement.

The difference between the carrying value of the investments and the respective share of the net equity, which emerges at the date of acquisition of the investment, are allocated to the assets where the higher cost reflects an effective higher value of these assets or specific intangible assets such as the VOBA (value of business acquired) and the VIF (value in force), and residually to the Goodwill account, where the higher price paid reflects the expected value of the future economic results.

It is also noted that for the accounting treatment of the acquisitions of further holdings in investments in companies that are already subsidiaries, the choice was made to record to Group net equity the difference between the purchase cost and value of the minority shares acquired, applying the so called economic entity theory.
Similarly, in the case of the sale of minority holdings which do not lead to a loss of control, the profits and losses realised are recorded directly to net equity.

Accounting under the equity method

The equity method was utilised for the associated companies, or rather those companies in which the parent company exercises a significant influence, having the power to determine the financial and operational policies of the company, without having control or joint control. In accordance with IAS 28.6, significant influence is presumed where the investment held, directly or indirectly, amounts to at least 20% of the voting rights in the shareholders' meeting.

Under the equity method, the investment in an associated company is initially recognised at cost and the carrying amount is increased or decreased to recognise the associated company's share of the changes in net equity after the date of acquisition. The consolidated financial statements therefore only include the share of book net equity and result of the investment for the year, but not the individual accounts of the financial statements.

Consolidation adjustments

In order that the consolidated financial statements present financial information on the group as that of a single economic entity, the following adjustments were made:

- The dividends received from consolidated companies or valued under the equity method were eliminated;
- The significant inter-group balances and transactions were eliminated with the exception of those relating to operations with companies valued under the equity method;

- The profits from sales/purchase operations made between Companies of the Group were eliminated, even if valued under the equity method. Similarly, the losses deriving from operations between Companies of the Group were eliminated, unless such losses reflect a permanent loss in value of the assets transferred.

The merger deficits generated following mergers between companies within the group and recorded in the statutory financial statements of the Parent Company, increasing the value of asset accounts, were eliminated in the consolidated financial statements, in that in these latter

the consolidation differences were maintained deriving from the elimination of the carrying value of the individual investments incorporated against the relative share of net equity, allocated to the assets or recorded in the Goodwill account.
The merger operations, in fact, only produce the legal effects of that expressed in the consolidated financial statements; where the merger deficits were not eliminated this would result in a duplication of the pre-existing values within the consolidated financial statements.

Date of the consolidated financial statements

The Consolidated Financial Statements are as of December 31, 2012, a date coinciding with that of the financial statements of the line-by-line consolidated companies.

Currency

The present financial statements are expressed in Euro as this is the currency in which the majority of the operations of the Group are carried out. It is also reported in the accounts whether the amounts are in thousands or millions of Euro. Where applicable, the conversion of the balance sheet accounts expressed in currencies other than the Euro is made applying the exchange rates at the balance sheet date.

Section 3 - Accounting principles

The accounting principles adopted are consistent with those utilised in the previous year, with the exception of those illustrated below.

In any case we report that the change in the accounting principles compared to 2011, which relate to the amortisation of long-term Non-Life Class commissions, had a negligible impact on the income statement of the year (approx. Euro 2.5 million lower costs, before the tax effect). We also report, compared to 2011, that there were changes in the quantitative and duration indicators for the automatic recording of impairments on listed equity securities recorded under AFS assets. The change, as illustrated in greater detail in the specific paragraph, resulted in a higher impairment charge of approx. Euro 1 million.

The main accounting principles utilised in the financial statements are shown below:

1. INTANGIBLE ASSETS

Goodwill

The account includes the goodwill deriving from business combinations; in accordance with appendix B of IFRS 1 (first time adoption of IAS), the company opted not to apply IFRS 3 to the business combinations before the transition date to the IAS/IFRS. The goodwill resulting from the financial statements prepared in accordance with Italian GAAP were maintained for the amount already recorded, with prior verification of their value.
In particular, the amount includes:
- the goodwill recorded following the merger by incorporation of Lloyd Internazionale S.p.A. in 1991;
- the goodwill recorded in 1992 following the acquisition of the insurance portfolio Card S.p.A.;
- the goodwill deriving from the acquisition of the insurance portfolio of Latina Assicurazioni in 1992;
- the goodwill relating to the life portfolio of La Previdente Assicurazioni, originally acquired from La Previdente Vita (formerly Latina Vita) in 1993;
- the goodwill relating to the acquisition of the insurance activity Maa Assicurazioni S.p.A. in 1995 and from the accounts of the incorporated Nuova Maa;
- the goodwill deriving from the acquisition of the portfolio of insurance contracts of Profilo Life, in 2001 and from the accounts of the incorporated Maa Vita;
- the goodwill accorded in 2003 following the merger by incorporation of Maa Vita, corresponding to the difference between the carrying value of the investment and the net equity book value.

- the consolidation difference deriving from the acquisition, in 1996, of Previdente Vita (subsequently incorporated into Milano Ass.) by La Previdente Assicurazioni (subsequently incorporated into Milano Assicurazioni);
- the consolidation difference arising from conferment in 2008 of Liguria Assicurazioni;
- the consolidation difference arising from conferment in 2008 of Liguria Vita.

In accordance with IAS 38 (Intangible assets), goodwill, having an indefinite useful life, is not systematically amortised, but subject to an impairment test, made at least annually, in order to identify the existence of a permanent loss in value.

In summary:
- The Cash Generating Unit – CGU relating to the goodwill recorded is identified;
- The goodwill is allocated to the individual CGU's;
- The recoverable value of the CGU is identified, which is the higher between the fair value less costs to sell and its value in use, equal to the current value of the future cash flows for the CGU.
- the book value of the CGU is compared with the recoverable value in order to verify the existence of any loss in value;
- Sensitivity analyses were carried out on the results taking into consideration changes in the parameters utilised.

Other intangible assets

They relate to non-physical assets, recorded in accordance with IAS 38 as they have the following characteristics:
- Identifiable;
- Control of the resources by the enterprise;
- Existence of future economic benefits.

In accordance with IAS 38 the set-up and formation costs and research and publicity costs are not recorded in this account.

On initial recognition, this asset is recorded at cost, including the directly attributable charges.
Further amounts are recorded at cost, net of accumulated amortisation and any loss in value.
The amortisation is charged to the income statement on a straight-line basis, taking into consideration the asset's estimated useful life.
The assets with indefinite useful life are not amortised but subject annually to an impairment test, in accordance with IAS 36, in order to identify any permanent loss in value.

The account primarily includes the VOBA relating to Liguria Assicurazioni, amounting to Euro 2,958 thousand, recorded in 2008 following the consolidation of the relative investment.
The amortisation in the year amounted to Euro 7,096 thousand.

2. PROPERTY, PLANT & EQUIPMENT

Property

This account includes the buildings utilised directly in the business activities.

IAS 16 (Property, plant and equipment) provides that, on initial inscription, the buildings for use by the enterprise are recorded at cost; subsequent recognition may be made based on the cost model (paragraph 30) or based on the revaluation model (paragraph 31).

The Company decided to utilise cost as the valuation principle. In the first-time application, as permitted by IFRS 1 (First time adoption of the International Financial Reporting Standards), the value redetermined in accordance with the previous accounting principles was utilised as a replacement of the cost.

In particular, concerning the revaluations of the buildings made in previous years, they were not removed in the re-determination process of the costs, as it was considered that utilising the amortised cost reflected the change in the price indices.

In accordance with IAS 16 the value of the buildings is subject to depreciation on the basis of the estimated useful life of the asset. For the buildings wholly owned, the depreciation was made separately on the building construction values and of the plant excluding the value of the land on which the assets are located.

Properties are subject to an impairment test through comparison of the book value with the estimate of the fair value.

Also included in this category are buildings classified as inventory in the accounts of Sintesi Seconda s.r.l.. These are valued, in accordance with IAS 2, at the lower between cost (including purchase cost, transformation and other costs incurred) and net realisable value.

Other tangible assets

The account includes furniture and fittings, plant and equipment, office equipment and motor vehicles utilised directly by the enterprise in the business activities.
They are recorded at cost and depreciated based on the estimated useful life. In order to calculate the depreciation, the residual value of the asset, or rather the value of the asset at the end of the useful life, is estimated as zero. The amortisation rates used are as follows: furniture and fittings 12%, plant and equipment 15%, office machinery 12% and motor vehicles 25%.

3. REINSURANCE ASSETS

The technical provisions relating to the reinsurers are calculated applying the same criteria adopted for direct premiums, taking account of the reinsurance contractual clauses.
The provisions attributable to the reinsurance companies are determined with the same criteria utilised for the formation of the reserves of the underwritten risks and represent the share, attributable to them, of the contractual commitments undertaken.

4. INVESTMENTS

Fair value hierarchy

IAS/IFRS international accounting standards require for financial instruments the indication of the fair value level utilised for their valuation and configuration. This indication is not applicable to controlling shareholdings included in the definition of IAS 27, to associated companies as per IAS 28, to joint ventures included in the definition of IAS 31 except in the cases in which these principles relate to the valuation criteria of IAS 39, to contracts covered by IFRS 4, to financial instruments covered by IFRS 2 and to capital instruments classifiable as equity.

Official listings on an active market (1) provide the best evidence of the fair value; such listings are the prices used in first instance for the fair value valuation of financial assets and liabilities (level 1 of the hierarchy of fair value as per IFRS 7).

[1] A financial instrument is considered listed on an active market when the relative price is readily and regularly available through stock exchange prices, operators and brokers, and this price represents effective market operations, which occur regularly in normal transactions, or potentially could take place on such basis. This category includes instruments admitted for trading on regulated markets or systematically traded on alternative trading circuits compared to the official markets, whose prices are considered “significant”, as well as recorded by contributors which operate as primary brokers on various markets, with the prices proposed representative of potential transactions.

In the absence of the proper functioning of the market ([2]), direct reference to market prices is not utilised and other valuation methods are used, including theoretical models (mark to model) which, principally using observable market parameters, can establish an appropriate fair value of financial instruments (level 2 of the fair value hierarchy).

In the case in which valuations of the financial instruments from sources considered reliable are not available (even if not from listings on an active market), the fair value can be calculated utilising valuation techniques which establish the price that an instrument would have at the date of valuation in a free exchange under normal market conditions. The techniques include valuations carried out using theoretical models which are based on, only in part, input data not based on observable market parameters and which utilise estimates and assumptions made by the assessor (level 3 of the hierarchy of fair value).

The above methods must be applied in a hierarchical order: if, in particular, a price is available on an active market no recourse is made to other valuation approaches. The hierarchical level of the fair value at which the valuation of a financial instrument takes place is determined based on the input data of the lowest level which significantly contributes to the determination of the fair value. Therefore, the amount of the input data is compared to the entirety of the data used for the calculation of the fair value. If the valuation of the fair value utilises observable data which requires a significant adjustment according to non-observable input data, such valuation is classified as Level 3.

The Milano Assicurazioni Group carried out an analysis of the various fair value levels utilised for the valuation of financial assets and liabilities at December 31, 2012 and are summarised below:

- Level 1 of Fair Value. The valuation is the market price of the same financial instrument subject to valuation, based on listings on an active market.
- Level 2 of Fair Value. The valuation is not based on significantly sizeable listings of the same financial instrument subject to the valuation, but indicative valuations created by infoproviders and contributors considered reliable, or on prices determined utilising a relevant methodology (mark to model) and observable market parameters, including the credit spread of the official list price of similar financial instruments in terms of risk factors. These methodologies allow the reproduction of listed financial instrument prices on active

[2] In relation to the issuer, a market is considered non active on the basis of the following indicators, whose evaluation must be carried out with close consideration of the aspect of reasonableness, taking account of the historic record of the following factors:

- lack of constant availability of price contributions;
- lack of constant reliability of price contributions;
- the extent of the bid-offer spread;
- the volatility over time of the price contributions of the same instrument;
- the volatility between contributors of price contributions concerning the instrument.

markets excluding discretional parameters which may significantly influence the final valuation price.

- Level 3 of Fair Value. The valuations are carried out utilising various inputs, not all concerning observable market parameters and utilising therefore estimates and assumptions of the assessor. In particular this approach provides for the valuation of financial instruments utilising a calculation method which is based on, among others, specific parameters regarding future cash flows and the level of input based on parameters non listed on active markets, whose estimate however utilises information acquired by prices and spreads observed on the market. In the cases where such information is not available, reference is made to historical data of the specific underlying risk factors or on specialised research.

The classification of the various levels of Fair Value of financial instruments in the categories "held-for-sale" and "available-for-sale", carried out based on the above-stated analysis, is presented in an attachment.

Investment property

IAS 40 (Investment properties), which governs the properties held by the enterprise for investment purposes, provides that at the moment of the acquisition of the buildings, they should be recorded at cost, while in subsequent evaluations the entity can choose between the cost valuation or the fair value.

The fair value is the price at which the ownership of the building can be exchanged between knowledgeable and willing parties in an arm's length transaction, which is normally referred to as the market price.
The Company chose to utilise the cost as the valuation principle of the buildings held for investment and, as such, utilised by third parties.

In the first-time application, as permitted by IFRS 1 (First time adoption of the International Financial Reporting Standards), the value redetermined in accordance with the previous accounting principles was utilised as a replacement of the cost. In particular, concerning the revaluations of the buildings made in previous years, they were not removed in the re-determination process of the costs, as it was considered that utilising the amortised cost reflected the change in the price indices.
In accordance with IAS 40 the value of the buildings is subject to depreciation on the basis of the estimated useful life of the asset. For the buildings wholly owned the depreciation was made separately on the building construction values (with depreciation rates between 1.7% and 3.3%) and of the plant (depreciation rates between 6% and 8%) excluding the value of the land on which the assets are located.

The investment properties are subject to an impairment test through comparison of the book value with the estimate of the fair value.

Investments in subsidiaries, associates and joint ventures

The account includes the non-consolidated investments, defined and governed by IAS 27, 28 and 31.

Loans and receivables

The account includes the loans as per IAS 39, with exclusion of the trade receivables, the reinsurance deposits held at the reinsurers, as well as the receivables from agents for sub entering agencies terminated.
On first recognition they are recorded at fair value increased by any transaction costs directly attributable. On subsequent valuations, the financial instruments included in this category are valued at amortised cost, calculated utilising the effective interest rate method. The amortised cost of a financial asset is the value in which this is measured at the moment of the initial recording net of capital repayments, increased or decreased by the total amount utilising the effective interest criterion on any difference between the initial value and the expiry value, and deduction of any impairment (following a reduction in value or non recovery). The effective interest rate is that which equates the current value of a financial asset to the contractual payments and future receipts of cash at the maturity date.
In substance, the logic of the amortised cost is to accrue over the duration of the contract the economic components which otherwise would be recorded as a charge or as income on the moment of collection or payment.

Investments held to maturity

The account includes non-derivative financial instruments with fixed or determinable payments, with a fixed maturity date, which the Group has the full intention and capacity to maintain until maturity.
In accordance with IAS 39 (Financial instruments: recognition and measurement), the initial recognition of these financial instruments is made at fair value inclusive of the transaction costs directly attributable to the purchase.
The fair value is the amount at which an asset can be exchanged between knowledgeable and expert counterparties at arm’s length and generally corresponds to the transaction price.
Subsequently, they are recorded at amortised cost which is, in summary, the amount in which the asset is initially valued increased or decreased by the amortisation, determined with the effective interest rate, of any difference between the initial value and the repayment value.

AFS financial assets

This includes all the financial assets not otherwise classified.
On first recognition, these assets are recorded at fair value which generally corresponds to the price paid for their acquisition, to which the directly attributable transaction costs are added.

Subsequently, the AFS financial instruments are valued at fair value, with recording to net equity of the differences from the initial value. The fair value is determined in accordance with the guidelines previously described in the section on the fair value hierarchy.

The amounts related to the adjustment to fair value are maintained in net equity until the relative financial assets remain in the balance sheet of the company and are recorded in the income statement on sale or on the establishment of impairments in value.

Reclassification of financial instruments

In accordance with IAS 39, a financial asset classified as available-for-sale may be reclassified in the category “loans and receivables" provided it complies with the requirements for such classification, and that the company has the intention and the capacity to hold the financial asset for the foreseeable future or until maturity. The operational choices and the relative impacts are recorded in the notes.

Impairment on AFS financial assets

In relation to the recording of losses for the reduction in value, we report that paragraph 59 of IAS 39 provides indicators of a possible reduction in qualitative factors such as:
- significant financial difficulties of the issuer;
- breach of contracts or failure to pay interest or capital;
- risk of insolvency procedures for the issuer;
- elimination of an active market for the financial assets subject to valuation;
- data which indicates the existence of a significant decrease in the future financial cash flows estimated for a group of financial assets, including:
    - unfavourable changes in the payments of the beneficiaries in the group;
    - local or national economic conditions which are related to the non compliance of the activities within the group.

Paragraph 61 of IAS 39 states that the reduction of value of an instrument represented by capital includes information on important changes with an adverse effect on the technological, market, economic or legal environment in which the issuer operates; in addition a prolonged and significant reduction of the market value of an equity instrument below the original purchase cost constitutes evident impairment.

Following the publication of the “IFRIC Update” of July 2009, it became clear that the two criteria “significant or prolonged” must be applied separately and not jointly. This treatment was also illustrated in the joint Bank of Italy/Consob/Isvap document No. 4 of March 3, 2010.

The following is also noted:
- the IAS/IFRS standards are “principle based” and therefore application is subject to reasonable and prudent choices by the enterprise;
- in particular there are no quantitative regulations or “mechanisms” to determine the notion of “significant or prolonged” as cited above;
- the only certain principle, which becomes a clear applicable regulation, is that in the presence of clear impairment, the entire negative reserve recorded under net equity must be fully recorded in the income statement.

Therefore, for the purposes of the preparation of the present financial statements, an evident objective reduction in the value of a capital instrument is considered when at least one of the two following conditions is present:
1. a reduction of the market value above 50% of the original cost at the reporting date of the accounts;
2. a market value continuously lower than the original cost for a period of three years;

where the original cost relates to, in conformity with that applied from the introduction of the IAS principles, the average weighted cost at the date of preparation of the accounting documents.

The significant thresholds outlined above differ from those utilised in the financial statements in the previous year: in particular, in 2011, the conditions considered clear evidence of a reduction in value were represented by a reduction in the market value of the financial instruments above 60% of their original cost or a continuous market value below the original cost for a period of two years.
The change was made also in order to apply uniform criteria across the Unipol Group which, as noted, during the year acquired control of the Premafin group. The change had a negligible impact on the income statement for the year (Euro 1 million higher impairment before tax).

In relation to equity instruments which report a significant decrease in fair value and not within the thresholds above for the year 2012, the analysis of the existence of impairment was made on the basis of a mixed valuation approach, differentiated by the quality and the size of the holding.
In particular:

1. Strategy and/or significant investments (in terms of carrying value and losses): they were subject to analytical valuations, conducted both internally and through independent experts' opinions.
2. Other investments: given their fragmentation and the lower amount of the related losses, an impairment test is only made in the presence of one of the qualitative factors as per paragraphs 59 and 61 of IAS 39, confirmed by further analytical evaluations.

In relation to the debt financial instruments, there is evidence of impairment if only one of the qualitative factors exists of the above-mentioned paragraph 59. For the debt securities with a significant reduction in fair value at the date of the preparation of the financial statements the same criteria was adopted as described above, taking into account that any analytical valuations carried out are principally based on the probability of default of the issuer.

Based on the methods described above, the reduction in value for impairment relating to the AFS assets amounts to Euro 53.7 million and are summarised in the following table:

(Euro millions)

Shareholding investments	48.4
Investment fund units	5.3
Total	**53.7**

Financial assets at fair value through profit or loss

The account includes the short-term financial assets held for trading as well as the financial assets designated in this category, within the limits permitted by IAS 39. The account includes the financial assets relating to index and unit-linked insurance or investment contracts (as per IFRS 4.IG2) issued by insurance companies.
On first-time recognition, these assets are recorded at fair value which generally corresponds to the price paid for their acquisition.
Subsequently, the financial instruments at fair value recorded in the income statement, as indicated by the name of the category, are valued at fair value, recording the difference between the fair value and the initial value in the income statement.
For the listed financial instruments on active markets the fair value is the current market price at the reference date while, for the non-listed financial instruments, it is the price determined based on adequate valuation techniques.

5. RECEIVABLES

The account includes the trade receivables, in accordance with IAS 39, which are recorded at recoverable value.
The IAS/IFRS accounting standards require, for the short-term trade receivables, accounting management with some exceptions. In particular, the amortised cost is not applied, in consideration that the application of this criterion would have a very similar result to the valuation of the historical cost and, in the determination of the recoverable value, no discounting is made of the financial cash flows which would be negligible.

6. OTHER ASSETS

Insurance deferred acquisition costs

These include the portion still to be amortised of the commissions on long-term insurance contracts. The commissions on the long-term contracts issued in 2012 are amortised over three years; in the Life sector the amortisation is based on the duration of each contract, but in any case no longer than ten years.
In the previous year, the commissions on the long-term contracts concerning the Non-Life sector were entirely expensed in the income statement. The change permits a better matching of the costs compared to the general prudence principle and however did not have a significant impact on the result for the year (Euro 2.5 million lower costs, before the tax effect).

Deferred tax assets and tax receivables

The current tax assets relate to receivables of a tax nature defined and regulated by IAS 12.

This account also includes assets deriving from the accounting of taxes pursuant to Article 1, paragraph 2 of Legislative Decree No. 209/2002 as enacted into law by article 1 of Law 265/2002, as supplemented (taxes on actuarial provisions).
The deferred tax assets include the positive fiscal effect determined in relation to the temporary differences between the fiscal values recorded and those recorded in accordance with IAS principles.
The recording of the deferred tax assets (and of the deferred tax liabilities under liabilities) allows the correlation of the tax charge recorded in the financial statements with the gross result before taxes, both for the years in which these differences arise and in the future years when these differences are reversed following, for example, the sale of the activities to which they refer, to the recovery through amortisation or the settlement of liabilities.

Non-current assets or disposal groups classified as held for sale

The account includes any assets defined and governed by IFRS 5. These assets are recorded at cost and measured at the lower between their book value and the fair value, net of selling costs.

Other assets

The account includes the transitory reinsurance accounts, the deferred commissions relating to contracts not subject to the application of IFRS 4 and other residual assets not included in the previous accounts.

7. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are represented by cash and deposits on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Short-term financial investments are those with a maturity of three months or less at the acquisition date.
For the purposes of the valuations of the assets included in this category, IAS 39 is applied and, in particular, the provisions in relation to available-for-sale financial assets. The initial valuation is made at fair value, generally corresponding to the price paid for the acquisition, including the transaction costs. Subsequently, these assets are recorded at fair value, which normally corresponds to the acquisition cost increased by the interest matured, with recording to equity of any difference to the initial value.

SHAREHOLDERS' EQUITY & LIABILITIES

1. SHAREHOLDERS' EQUITY

Share capital

The account represents the share capital of the parent company Milano Assicurazioni, recorded based on the resolutions of the Shareholders' Meetings and Company By-laws.

Capital reserves

The account refers exclusively to the share premium reserve.

Retained earnings and other reserves

The account includes, in particular, the gains and losses deriving from the first time application of the international accounting standards (IFRS 1), the catastrophic reserves and the equalisation reserves not recorded under technical liabilities as per IFRS 4.14(a), the reserves in accordance with the civil code and special laws before the adoption of the international accounting standards, as well as the consolidation reserves.

Treasury shares

In accordance with IAS 32.33, the value of the shares of the company that prepares the consolidation held by the company and by consolidated companies is recorded as a reduction of Net Equity.

Unrealised gain or loss on AFS financial assets

The account includes the gains and losses deriving from the valuation of the financial assets classified in the category "assets available-for-sale", net of the part attributable to the policyholders and allocated to the insurance liabilities based on the shadow accounting method, described below in the account Insurance Contract Liabilities.
The amount recorded is equal to the difference between cost and fair value of the assets represented by the current quotation at the reference date for the listed financial instruments on active markets and by the price determined based on adequate valuation techniques for the non listed financial instruments, net of the shadow accounting effect.

Other unralised gains and losses recorded through equity

The account includes:
- the net actuarial losses in application of IAS 19 relating to the post-employment service provisions;
- profit or loss on cash flow hedges.

Minority interest capital and reserves

The account includes the instruments and the components representative of capital, as well as related to minority share equity reserves.

2. PROVISIONS FOR RISKS AND CHARGES

Based on IAS 38 (Provisions, potential liabilities and assets), the provisions are liabilities of an uncertain amount or maturity which are recorded when the following conditions exist:
- There is a current obligation at the reporting date resulting from a past event;
- It is probable that to comply with this obligation the outflow of economic resources will be required;
- A reasonable estimate can be made of the amount necessary for compliance with the obligation.

In particular, the account therefore includes provisions for risks and future charges of a determined nature, reliably estimated based on the information available at the date of the preparation of the financial statements.

3. INSURANCE CONTRACT LIABILITIES

The account includes the commitments deriving from insurance contracts and financial instruments governed by IFRS 4.2, gross of the reinsurance cessions. It also includes the provisions made following verification of the liabilities (IFRS 4.15), the deferred liabilities to policyholders (IFRS 4.30,34) and the provision for amounts due.

The account is comprised of:

NON-LIFE INSURANCE SECTOR

Premiums provision on direct insurances risks

This includes the provision for premium fractions and, where applicable, the provision for risks in course, calculated in accordance with ISVAP Regulation No. 16 of March 4, 2008.
The provision for premium fractions was determined in accordance with the pro-rata method applied analytically for each policy based on the gross premiums written. The provision for risks in course, which represents in substance the verification of the insurance liabilities of the non life classes required by paragraph 15 of IFRS 4 (Insurance Contracts), is accrued at each individual insurance class level where the expected claims for the current generation is higher than the provision for premium fractions. The valuation for the creation of the provision is made based on an empirical calculation procedure constructed on the ratio of claims to premium for the current generation recorded in the accounts and valued also taking into account values assumed from the ratio from previous years to evaluate the reasonableness of the assumption that this ratio can be of a repetitive nature in the following year. The total amount provisioned is considered appropriate to cover the commitments for risks in course at the year-end.

Non-Life claims provision

The claims provision 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

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).

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.

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

The account includes the aging provision of the health class, which offsets the greater risk due to the increased life span of the policyholders. The determination was made separately for each contract utilising technical-actuarial criteria in accordance with article 47, point 2, of ISVAP regulation No. 16 of March 4, 2008.

Unearned premium provision on indirect business

The provision is calculated based on the communications received from the reinsurance companies; where this has not been received, appropriate rates are applied to the premiums written and the related risks still in course at the year-end.

Claims provision on inward reinsurance risks

The provision is calculated based on the communications received from the insurance companies supplemented by objective and statistical elements in our possession. The provisions are considered sufficient to meet the commitments at the year-end.

LIFE INSURANCE SECTOR

Technical provisions on direct insurances risks

They are calculated in accordance with the actuarial techniques which comply with current legislative provisions and in particular the principles contained in ISVAP Regulation No. 21 of March 28, 2008. The calculation is made analytically for each contract, based on the commitments without detraction for acquisition expenses; the base calculation techniques (interest rates, demographic assumption for eliminations for death or invalidity and frequency of abandon) are the same utilised for the calculation of the premiums of the individual contracts. In any case, the actuarial provision is not lower than the redemption values.

The account also includes the additional provision for financial risk and demographic risk. Among the additional provision for financial risk, we highlight the additional provision for guaranteed interest rate risk, calculated in accordance with the provisions of articles 47 and 48 of ISVAP regulation No. 21/2008.
The provision derives from the higher cost that the company must incur against the difference between the interest rate guaranteed to the policyholders and the current and expected returns on the assets represented by the actuarial reserves, calculated in accordance with the provisions of the previously stated Regulation 21 (art. 38-46).
The additional provision for demographic risk, made in line with articles 50, 51 and 52 of ISVAP Regulation No. 21, provides for the higher cost that the company must incur against the average extension of the human life for the annuity tariffs or where the option for conversion of capital to annuity exists.

For the products in accordance with Article 41, paragraph 2 of Legislative Decree No. 209 of 7/9/2005 (index linked products), the calculation is made analytically contract by contract, adopting assumptions that represent with maximum approximation the value of the underlying assets.

In accordance with IFRS 4, the actuarial provisions recorded in accordance with these principles are subject to adequacy tests (Liability Adequacy Test) according to the method described in PART F of the present report, to which reference should be made for greater detail. The verifications made confirmed the values recorded in accordance with IAS/IFRS.

The accounts also includes the adequacy of the actuarial provisions relating to the contracts included in the segregated funds of the life classes, made applying the shadow accounting as per paragraph 30 of IFRS 4. The use of this accounting treatment correlates the value of the actuarial provision relating to these contracts to the value determined under the IAS standards of the assets included in the segregated funds.

The securities in the segregated funds of the Life Insurance Sector are included in the category “available-for-sale”, or in the category “fair value through profit or loss” and, as such, are valued at fair value, recognising the difference between the fair value and the carrying value determined in accordance with Italian GAAP as an increase or decrease in shareholders’ equity or in the result for the period.
However, the return of the segregated funds of the Life Insurance Sector, which determines the returns of the policyholders and therefore the amount of the actuarial provision, is calculated without taking into consideration the valuation gains and losses.

Therefore, the actuarial provision of the contracts included in the segregated funds are redetermined, in line with the valuation of the related assets, recognising to equity or the income statement the difference between the amount of the provision calculated in accordance with Italian GAAP.
In substance, that recorded under shadow accounting in the account “Deferred Liabilities to Policyholders” represents the policyholders’ share of the latent gains and losses on the securities in the segregated funds which, based on the contractual clauses and current regulations, will be recognised to the policyholders only if and when they will be realised with the sale of the related assets, but are in this context explicit as latent gains or losses of these securities, as already described, and recognised as an increase or decrease of equity or of the result for the period. The recognition method adopted also takes into account the minimum guaranteed return, recognised contractually to each segregated fund.

Insurance contract liabilities on inward reinsurance risks

They are recorded based on communications provided by the insurance companies.

4. FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss

The account includes:

- the financial liabilities designated at fair value through profit or loss, which includes the liabilities relating to investment contracts not within the scope of IFRS 4, as having insignificant insurance risk and without profit participation features. They concern unit linked contracts and pension funds, treated under the deposit accounting method which provides, substantially, for the recording in profit or loss of only the profit margins and the recording under liabilities of the premiums written and the returns matured in favour of the policyholders;
- the financial liabilities held for trading, which include any negative positions on derivative financial contracts.

Other financial liabilities

The account includes the financial liabilities defined and governed by IAS 39, other than trade payables and not included in the previous category.
In particular this account includes:

- Subordinated liabilities;
- Deposits received from reinsurers;
- Social security institutions.

This liability on first recognition is recorded at fair value and subsequently valued at amortised cost utilising the effective interest rate method.

5. PAYABLES

The account includes commercial payables as well as personnel payables for employee leaving indemnity.

Employee leaving indemnity and other employee benefits

Based on the 'Reform of Supplementary Pension Law' introduced on January 1, 2007 with Law No. 296/2006, employees of companies with 50 or more employees must choose if the employee leaving indemnity is allocated to supplementary pension funds or maintained in the company, which must then transfer these amounts to a Treasury Fund managed by INPS.
For the employees of companies with less than 50 employees this choice was optional. Where no choice was made by employees the leaving indemnity accrued remained in the company.
For the purposes of the valuation of the liability related to the provision of the Employee Leaving Indemnity, and as per the indications of the technical organisations (Abi, Assirevi, Actuarial Body and OIC), the following was applied:

- employees that opted for the maintaining of the employee leaving indemnity at the company: the actuarial criteria contained in IAS 19 for defined benefit plans were utilised;
- employees that chose to allocate the employee leaving indemnity to supplementary pension schemes: the share of employee leaving indemnity matured at January 1, 2007, as a defined contribution plan, did not apply IAS 19;
- the employee leaving indemnity fund matured at December 31, 2006 continues to be considered as a defined benefit plan.

6. OTHER LIABILITIES

Tax liabilities and deferred tax liabilities

They principally comprise:

- the current tax liabilities, limited to the IRAP regional income tax. The current tax charge relating to the IRES income tax was recorded in the account payables to parent company following the inclusion by the companies of the Milano Assicurazioni group to the Fondiaria-SAI Group tax consolidation;
- the deferred tax liability accrued, in accordance with IAS 12 (Income taxes), relating to the deferred temporary tax differences in order to maintain the correlation between the fiscal charge and the result for the year.

Other Liabilities

The account includes, among others, the liability relating to the defined benefits and other long-term employee benefits (including the provisions made for the leaving indemnity recorded under liabilities) and the reinsurance transitory accounts.

INCOME STATEMENT

Net premiums

The account includes the premiums relating to insurance contracts and financial instruments containing discretional features as per IFRS 4.2, net of reinsurance ceded.
The revenues relating therefore to the policies that, although legal insurance contracts and having an insignificant insurance risk and which do not have discretional investment elements, are not included in this account. These contracts are accounted for in accordance with IAS 39 (Financial instruments: recording and measurement) and of IAS 18 (Revenues) and are treated under the deposit accounting method which, in summary, requires the recording in the income statement of the explicit and implicit loading, recorded in the account "commission income".

We also report that, based on the analysis made on the policies in portfolio, all the contracts of the non-life classes and all the contracts of the life classes with the exception of the unit-linked and pension fund contracts are included in the application of IFRS 4 and are therefore valued based on the principles of IAS 39 and IAS 18 and treated under the deposit accounting method.
For further information on the criteria utilised for the purposes of the classification of the contracts in the Life insurance sector, reference should be made to Part F of the present Report.

The contracts recorded in application of IFRS 4 are treated in accordance with the accounting principles of the statutory accounts. In particular, in accordance with article 45 of Legislative Decree 173/1997 of ISVAP Regulation No. 22/2008 in relation to the accounts, the premiums include:
- The cancellations due to technical reversals of the individual securities issued in the year;
- The cancellation of premiums in the life division from annuities expired in previous years;
- The changes of contracts, with or without changes in premiums, made through replacement or supplemented;

while they do not include, as allocated to technical charges, those in the account other costs:
- The write-downs for doubtful receivables from policyholders for premiums of the year made at the reporting date;
- The write-downs of receivables from policyholders for non-life premiums in previous years;
- The write-downs of receivables from policyholders from first year life annuity premiums or units issued in the previous years.

Commission income

The account includes the commissions relating to the investment contracts not included within the application of IFRS 4, as the explicit and implicit loading on the contract and the management commission.
As already described under the comments of the premium accounts, this relates to commissions for the year relating to unit-linked and pension fund contracts.

Investment income

Income and charges from financial instruments valued at fair value through profit or loss
The account includes the realised gains and losses and the positive and negative changes to financial assets and liabilities valued at fair value through the income statement. The change in value is determined based on the difference between the fair value at the reference date and the initial book value of the financial instruments recorded in this category.
For the listed financial instruments on active markets the fair value is the current price of the reference date, while for the non-listed financial instruments the price is determined based on adequate valuation techniques.

Income from investments in subsidiaries, associates and joint ventures
This includes income originated from equity investments in associated companies recorded under the corresponding asset account. This relates in particular to the share of the result in the investment.

Income from other financial instruments and property investments
The account includes income from property investments and financial instruments not measured at fair value through profit or loss and in particular:
- Financial income recognised utilising the effective interest method (IAS 18.30 (a));
- Other income and, in particular, dividends relating to equity securities and revenues deriving from the utilisation, by third parties, of the property investments;
- Profits realised following the sale of financial assets and investment properties or the elimination of financial liabilities;
- Profits on valuation, deriving principally, where possible, from the write-back in value (reversal of impairment).

Other income

The account includes:
- receivables from the sale of goods, from services other than those of a financial nature and from the use, by third parties, of intangible and tangible assets and other activities of the entity;
- other net technical income related to insurance contracts;
- currency differences recorded in the income statement as per IAS 21;
- gains realised and any restatement in values relating to intangible and tangible assets.

Net claims charges

The account includes:
- amounts paid, net of recovery;
- the changes of the claims provisions and of amounts to be recovered;
- the changes in the provision for the amounts outstanding, actuarial provisions and the technical provisions where the investment risk is borne by the policyholders;
- the changes of the other insurance contract liabilities relating to insurance contracts and financial instruments as per IFRS 4.2, including the deferred liabilities to the policyholders referring to income and charges recorded in the income statement (shadow accounting reserve).

The amounts recorded include the settlement expenses paid and accrued, which include the expenses relating to the investigation, acceptance, valuation and settlement of the claims.

Commission expenses

This account includes the acquisition costs related to investment contracts which do not fall under the application of IFRS 4. This relates in particular to the commission paid to the Agents in relation to the acquisition of the unit-linked and pension fund contracts.

Investments expenses

Charges from investments in subsidiaries, associates and joint ventures

This item includes the charges arising from holdings in associated companies, recorded in the corresponding asset account. This relates in particular to the share of the result in the investment.

Charges from other financial instruments and property investments

The account includes charges from property investments and financial instruments not measured at fair value through the income statement and in particular:

- Financial charges recognised utilising the effective interest method, including the interest relating to subordinated loans;
- Other charges and, in particular, the costs relating to investment property, such as condominium expenses, and maintenance and repairs not of an incremental nature;
- Losses realised following the sale of financial assets and investment properties or the derecognition of financial liabilities;
- Losses on valuation, deriving principally from amortisation, and where necessary, impairment.

Management expenses

Commissions and other acquisition expenses
The account includes acquisition costs relating to insurance contracts and financial instruments as per IFRS 4.2, net of reinsurance ceded.

Investment management charges
These refer to general expenses and personnel costs relating to the management of the financial instruments, investment property and investments, as well as the relative custodial and administration costs.

Other administration expenses
The account includes general and personnel expenses not attributed to the relative claims charges, contract acquisition expenses and investment management charges. The account relates also to the general expenses and personnel costs of the companies which exercise financial activities other than the insurance companies, not otherwise allocated, as well as the general expenses and personnel costs incurred for the acquisition and administration of the investment contracts not included within IFRS 4.

Other expenses
The account includes:
- costs relating to the sale of goods other than those of a financial nature;
- other net technical charges relating to insurance contracts, for which reference should be made to the comments on the premium account;
- the provisions for risks and charges;
- the currency differences recorded in the income statement as per IAS 21;
- the losses realised, impairment and depreciation on tangible fixed assets, and on intangible assets.

Income taxes
The account includes the current and deferred income taxes (Ires income tax and Irap regional tax), calculated applying to the respective assessable bases, the nominal rates in force at the balance sheet date.

UNCERTAINTY ON UTILISATION OF ESTIMATES

The application of some accounting standards necessarily implies significant elements of judgment based on estimates and assumptions which are uncertain at the time of their assessment.

For the 2012 financial statements, assumptions made are considered to be appropriate and consequently the financial statements are considered to be prepared with the intention of clarity and represent in a true and fair manner the financial situation and result for the year. Information is provided below in accordance with the requirements of paragraph 116 of IAS 1. In the relative paragraphs of the notes, adequate and exhaustive information is provided concerning the underlying reasons for the decisions taken, the valuations made and the criteria adopted in the application of the international accounting standards.

In order to provide reliable estimates and assumptions reference was made to historical experience, as well as other factors considered appropriate in the specific cases, based on the available information.

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

In particular, management used more subjective valuations in the following cases:
- in the calculation of the technical provisions;
- assessment of impairment on goodwill arising from business combinations, and of goodwill in investments and their relative Value of Business Acquired;
- in the determination of the loss in value of Buildings and property investment;
- in the determination of the fair 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 equity securities and bonds in the Available-for-Sale category to verify the existence of any loss in value. In particular reference is made to the choice of the valuation models and the principal assumptions and parameters utilised;
- assessment of the recovery of the deferred tax assets;
- in the quantification of provisions for risks and charges and the employee benefit provisions, for the uncertainty therein, of the period of survival and of the actuarial assumptions utilised;

The examples above aim to provide the reader of the financial statements a better understanding of the main areas of uncertainty, but it is not intended in any case to imply that alternative assumptions could be appropriate or more valid.

The information on financial risks is contained in Part E – Information on financial risks, while the disclosure on insurance risks is reported in Part F – Amounts, timing and level of uncertainty of the financial cash flows relating to insurance contracts.

Group Structure

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

Consolidation scope

Company	State	Method (1)	Activity (2)
ATHENS R.E. FUND	ITALY	G	10
CAMPO CARLO MAGNO S.p.A.	ITALY	G	10
DIALOGO ASSICURAZIONI S.p.A.	ITALY	G	1
IMMOBILIARE MILANO ASSICURAZIONI S.r.l.	ITALY	G	10
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.	ITALY	G	1
LIGURIA VITA S.p.A.	ITALY	G	1
PRONTO ASSISTANCE SERVIZI S.c.r.l.	ITALY	G	11
SINTESI SECONDA S.r.l.	ITALY	G	10
SOGEINT S.r.l.	ITALY	G	11
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	ITALY	G	1

(1) Consolidation method: Line-by-line =G, Proportional=P, Line-by-line for man. unit =U

(2) 1= Italian Ins; 2= EU Ins; 3=Other Ins; 4=Holding insurance; 5=EU reins; 6=Reins. other; 7=Banks; 8=SGR; 9=Other holding; 10=Property 11=Other

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

Direct Holding %	Total Holding % (3)	Voting % in Ordinary Shareholder Meeting (4)	% consolidated
100.00	100.00		100.00
100.00	100.00		100.00
99.85	99.85		100.00
100.00	100.00		100.00
99.97	99.97		100.00
-	99.97		100.00
28.00	54.51		100.00
-	100.00		100.00
100.00	100.00		100.00
100.00	100.00		100.00

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

Details of non-consolidated investments

Company	State	Activity (1)	Type (2)
A7 S.r.l. in liquidation	ITALY	10	B
ATAHOTELS S.p.A.	ITALY	11	B
BORSETTO S.r.l.	ITALY	10	B
GARIBALDI S.C.A.	LUXEMBOURG	10	B
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	ITALY	11	B
ISOLA S.C.A.	LUXEMBOURG	10	B
IMMOBILIARE LOMBARDA S.p.A.	ITALY	10	B
METROPOLIS S.p.A. in liquidation	ITALY	10	B
PENTA DOMUS S.r.l.	ITALY	10	B
SAI INVESTIMENTI S.G.R. S.p.A.	ITALY	8	B
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	ITALY	11	B
SERVIZI IMMOBILIARI MARTINELLI S.p.A.	ITALY	10	B
SVILUPPO CENTRO EST S.r.l.	ITALY	10	B
VALORE IMMOBILIARE S.r.l.	ITALY	10	B

(1) 1= Italian Ins; 2= EU Ins; 3=Other Ins; 4=Holding insurance; 5=EU reins; 6=Reins. other; 7=Banks; 8=SGR; 9=Other holding; 10=Property 11=Other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=joint venture (IAS 31); (*)= the companies classified as held for sale in accordance with IFRS 5

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

Direct Holding %	Total Holding % (3)	Voting % in Ordinary Shareholder Meeting (4)	Book value
-	20.00		141
49.00	49.00		0
-	44.93		2,526
32.00	32.00		70,254
34.21	34.63		13,280
29.56	29.56		12,812
35.83	35.83		6,873
-	29.73		
-	20.00		2,834
29.00	29.00		2,287
30.00	30.00		230
-	20.00		144
-	40.00		
50.00	50.00		583

Consolidation scope

At December 31, 2012, the Milano Assicurazioni Group, including the Parent Company, was made up of 11 Companies, of which 5 operating in the insurance sector, 4 in the real estate sector, 1 in support of the insurance business and 1 various services. The list of these companies, all fully consolidated, is shown in the table of the consolidated companies.

In 2012, there were no changes in the consolidation scope.

Notes to the consolidated financial statements

The details and notes to the consolidated financial statement accounts are presented below. Further details are contained in the attachment as per ISVAP Regulation No. 7 of July 13, 2007, as modified by ISVAP provision No. 2784 of March 8, 2010, at the end of the present notes.

PART B - Information on the consolidated balance sheet

Balance Sheet - Assets

1. INTANGIBLE ASSETS

They include:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Goodwill	230,851	231,052	-201
Other intangible assets	3,924	11,437	-7,513
TOTAL	**234,775**	**242,489**	**-7,714**

Goodwill

The following movements took place during the year:

(in Euro thousands)	**2012**	**2011**
Value at beginning of year	**231,052**	**231,052**
Increases in the year	-	-
Reductions for cessions or for recording under held for sale assets	-	-
Permanent loss in value recognised in the year	-201	-
Other changes	-	-
Value at year-end	**230,851**	**231,052**

Goodwill is reported in the following table:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Goodwill recorded following the merger with the parent company by Lloyd Internazionale S.p.A. in 1991	17,002	17,002	-
Goodwill recorded in 1992 following the acquisition by the Parent Company of the portfolio of Card S.p.A.	33,053	33,053	-
Goodwill deriving from the acquisition by the parent company of the insurance portfolio of Latina Assicurazioni S.p.A. in 1992	34,522	34,522	-
Goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A., originally acquired from Previdente Vita (formerly Latina Vita) in 1993	16,463	16,463	-
Goodwill deriving from the acquisition, in 1995, of the portfolio Maa Finanziaria by Nuova Maa, incorporated into the parent company in 2003.	65,134	65,134	-
Goodwill deriving from the acquisition, in 2001, of the Profilo Life portfolio by Maa Vita, incorporated into the parent company in 2003.	1,052	1,052	-
Goodwill recorded following the merger with the parent company of Maa Vita in 2003	4,636	4,636	-
Goodwill relating to the acquisition by SIS of the Ticino portfolio in 1995		152	-152
Consolidation difference deriving from the acquisition, in 1996, of La Previdente Vita (subsequently incorporated into Milano Ass.) by La Previdente Assicurazioni (subsequently incorporated into Milano Ass.)	3,275	3,275	-
Consolidation difference deriving from the acquisition of Dialogo Ass. by La Previdente Ass. in 1997		49	-49
Consolidation difference arising from conferment in 2008 of Liguria Assicurazioni.	52,555	52,555	-
Consolidation difference arising from conferment in 2008 of Liguria Vita	3,159	3,159	-
TOTAL	**230,851**	**231,052**	**-201**

Impairment test

In accordance with IAS 38 (Intangible assets), goodwill, having an indefinite useful life, is not systematically amortised, but subject to an impairment test, made at least annually, in accordance with the manner set out in IAS 36 (Reduction in value of Assets), in order to identify the existence of a permanent loss in value.
The impairment tests are made comparing the carrying value and the recoverable value of the Cash Generating Units (CGU), in accordance with IAS 36 as reported below.

Identification of the Cash Generating Units (CGU)

The Cash Generating Units identified for this purpose consist of:

- the Life sector of Milano Assicurazioni;
- the Non-Life sector of the entire Milano Assicurazioni Group, excluding Liguria Assicurazioni;
- the Liguria Assicurazioni Group.

The identification of the CGU's at Group level took into account also the CGU's which benefited from the business combination synergies achieved in the past, which the individual components of the account goodwill in the accounts refer to.
This identification is also in line with the Group management reporting system, in which the CGU's stated-above represent the minimum level to which the goodwill is monitored for internal management control purposes. These CGU's comply with the definition of operating segments established by IFRS 8.
The determination of the book value of the CGU's identified is made in line with the determination of the appropriate cash flow streams to identify the recoverable value. In particular, the goodwill allocated amounted to Euro 22.1 million for the Life Division CGU, Euro 153 million for the Non-Life division CGU and Euro 55.7 million for the Liguria CGU.

Recoverable value of the CGU's

The recoverable value of the CGU's is the higher between the fair value less costs to sell and its value in use. The fair value of the CGU's represents the amount obtainable on its sale between knowledgeable and willing parties at arm's length, less selling costs.

Goodwill relating to Milano Assicurazioni

Considering that the CGU's identified belong to a listed company (Milano Assicurazioni), where an active market exists, it was considered appropriate to preliminarily compare the book value of the CGU to which the goodwill was allocated with the market value (fair value) of the same, determined utilising as a reference parameter the market capitalisation of Milano Assicurazioni.

The fair value test, based on stock exchange prices, did not confirm the full recoverability of the goodwill recorded. In so far as this fact may be seen as an external sign of a loss in value, it is highlighted that the Stock Market listing prices reflect transactions between minority shareholders which do not include the right to control the management policies of the entity. When it is necessary to carry out an impairment test, the value in use is calculated.

In this regard, the Sum of Parts methodology was utilised. This method calculates the economic value as the sum of the capital values attributed to the various business lines of Milano Assicurazioni (life and non-life businesses).

The **Life Business** was valued applying the Appraisal Value (AV) method, which calculates the value of an insurance portfolio as the sum of the Embedded Value (EV) and the New Business Value (NBV).
The Embedded Value estimates the value of future cash flows based on actuarial models, without considering in the valuation the effects of new business. The Embedded value can be defined as the sum of the Adjusted Net Asset Value (ANAV) and the Value in Force (VIF).
The ANAV is the value of the net equity related to the portfolio subject to valuation, adjusted taking account of the gains/losses on investments, on intangible and tangible fixed assets and on payables and liabilities for which the fair value is estimated.
The VIF concerns the value of profits which will be generated from the future technical and financial management of contracts already issued and present in the portfolio.
The New Business Value represents the future cash flows deriving from new premiums written whose basis already exists at the time of valuation.

The principal parameters utilised in the application of the model are as follows:
- discount rate utilised for the valuation of the VIF and NBV: 9.02%;
- synthetic multiple for the estimate of goodwill from new business: 10x
- solvency ratio: 100%.

The recoverable value identified was Euro 468.2 million.

The following sensitivity analyses were carried out on the result:
- change in the synthetic multiplier between the interval 3x-13x in order to estimate the Goodwill related to new business;
- change of +/-0.5% of the discount rate utilised in order to estimate the VIF and the NBV;

Based on the result of the sensitivity analysis carried out, the recoverable value of the Life Business was placed in the following range: Euro 468.2 million – Euro 492.2 million.

The **Non-Life Business** was valued utilising the Dividend Discount Model method, utilising the Excess Capital model, which establishes the value in use as the sum of:

- the current value of the dividends distributed over an established time period, taking account of any excesses or insufficiencies in the share capital in relation to the required minimum solvency margins for insurance companies.
- the current terminal value, calculated as the perpetual return of the distributable dividends in the long-term period.

The valuation was carried out based on the 2013-2015 industrial plan approved by the Board of Directors and the 2016 and 2017 projections drawn up to reflect a normal level of profitability. The cost of own capital (Ke) of 9.59% was used as the discount rate.

The recoverable value of the non-life business of the Milano Assicurazioni group excluded the contribution of the Liguria Assicurazioni group, identifying it as an autonomous and independent CGU and subject to a separate impairment test and amounted to Euro 899 million.

The valuations made using the DDM were subject to a sensitivity analysis. In particular, the following changes were assumed:

- changes in the combined ratio and target investment returns around +/-0.25%;
- change in the discount rate on the long-term growth rate of +/-0.25%;
- changes in the combined ratio of +/- 0.25% and of the Solvency Margin in the range 115%-125%.

The minimum and maximum values from the sensitivity analysis are reported below: Euro 899.0 million – Euro 1,079.1 million;

The valuation processes carried out confirmed the recoverability of the goodwill allocated to the Non-Life and Life CGU’s.

Goodwill relating to Liguria Assicurazioni

The value in use of the Liguria Group was calculated through the Sum of Parts (SOP) method, utilising the Dividend Discount Model (DDP) for the valuation of Liguria Assicurazioni and the Appraisal Value for Liguria Vita.

The parameters utilised for the application of the DDM, as a discount rate, include cost of own capital (Ke) of 9.59%.

The Appraisal value of Liguria Vita was determined based on the following parameters:
- discount rate utilised for the valuation of the VIF and the NBV: 9.02%;
- synthetic multiple for the estimate of goodwill from new business: 10x;
- solvency ratio: 100%.

The valuation was carried out based on the 2013 budget of the company, the 2014-2015 plan and the 2016 and 2017 projections drawn up to reflect a normal level of profitability.

The valuations carried out allocated to the Liguria Group a value of Euro 100.6 million and, in particular, a goodwill value of Euro 55,714 thousand.

The following table summarises the valuation results indicating the recoverable value of the identified CGU's and the comparison with the relative book values.

(Euro millions)	**Recoverable value**	**Book value**	**Excess**
Milano Life CGU	468.2	369.2	99.0
Milano Non-Life CGU	899.0	172.7	726.3
Liguria Assicurazioni Group	100.6	90.8	9.8

Other intangible assets
The *other intangible assets* have a definite useful life and are therefore amortised over their duration. There were no intangible assets generated internally. The account principally includes the residual value of the VOBA (value of business acquired) concerning Liguria Assicurazioni of Euro 2,958 thousand. It was originally recognised in 2008 following the consolidation of the balance sheet of the relative holding and is amortised over its useful life. The amortisation in the year amounted to Euro 7,096 thousand.

The table below shows the breakdown of the gross value and total amortisation recorded up to December 31, 2012:

(in Euro thousands)	**Gross carrying value**	**Amortisation and impairment**	**Net value**
Studies and research expenses	-	-	-
Utilisation rights	-	-	-
Other intangible assets	51,621	-47,697	3,924
TOTAL	**51,621**	**-47,697**	**3,924**

The movements in the account “Other intangible assets” in the year are as follows:

(in Euro thousands)	2012	2011
Value at beginning of year	11,437	18,960
Increases:		
• generated internally	-	-
• purchased	-	-
• from business combinations	-	-
• from changes in the consolidation method	-	-
Reductions for disposals or for recording under held for sale assets	-335	-177
Amortisation	-7,178	-7,346
Other changes	-	-
Balance at end of year	**3,924**	**11,437**

The tests carried out did not establish any reductions for loss in value.

2. PROPERTY, PLANT & EQUIPMENT

The account amounts to Euro 39,009 thousand, broken down as follows:

	Property		**Other tangible assets**	
	2012	**2011**	**2012**	**2011**
Gross carrying value	36,835	49,047	23,340	23,989
Depreciation and impairment	-2,098	-2,041	-19,068	-18,645
Net value	**34,737**	**47,006**	**4,272**	**5,344**

The movements in the year are shown below:

(in Euro thousands)	Property		Other tangible assets	
	2012	**2011**	**2012**	**2011**
Balance at beginning of year	47,006	58,141	5,344	5,970
Increases	295	411	-	241
Reductions for disposals or for recording under held for sale assets	-	-460	-78	-
Buildings from business combinations	-	-	-	-
Impairments recorded in the year	-12,452	-3,323	-	-
Reclassification in the category of property investments	-	-7,647	-	-
Depreciation	-112	-116	-994	-867
Other changes	-	-	-	-
Balance at end of year	**34,737**	**47,006**	**4,272**	**5,344**

The buildings concern:

- the buildings used for business activities. These buildings are recorded at cost and depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.
- the buildings considered as inventory and valued in accordance with IAS 2.

No buildings had any restrictions on title.

The Group annually undertakes independent expert valuations to determine the current value of its land and buildings. Based on the valuations made, impairments were recorded of Euro 12,452 thousand on the buildings of the subsidiary Sintesi Seconda S.r.l. in Via dei Missaglia, No. 97, Milan. Overall, the expert's valuation at 31/12/2012 was Euro 1.7 million higher than book value at the same date.

3. REINSURANCE ASSETS

The account amounts to Euro 340,154 thousand, broken down as follows:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Non-Life premium provisions – reinsurers	47,566	53,783	-6,217
Non-Life claims provisions – reinsurers	222,814	193,497	29,317
Other Non-Life provisions – reinsurers	-	-	-
Actuarial provisions attributed to reinsurers	65,564	78,220	-12,656
Provision for claims to be paid – reinsured	4,210	3,431	779
Other provisions – reinsurers	-	-	-
TOTAL	**340,154**	**328,931**	**11,223**

4. INVESTMENTS

This consists of:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Investment property	613,188	910,693	-297,505
Investments in subsidiaries, associates and joint ventures	111,964	100,416	11,548
Investments held-to-maturity	185,360	128,927	56,433
Loans and receivables	891,522	905,538	-14,016
AFS financial assets	6,508,286	6,084,206	424,080
Financial assets at fair value through profit or loss	165,092	226,104	-61,012
TOTAL	**8,475,412**	**8,355,884**	**119,528**

Investment property

The account includes the buildings for rental or held for their capital appreciation.
The investment properties are recorded at purchase cost in accordance with IAS 16 (Property, plant and equipment), which IAS 40 (Investment property) refers to in the case of adoption of the cost model. They are therefore depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.
The separation of the land component from the buildings is made based on the updated expert valuations at the date of transition to the international accounting standards (January 1, 2004).

The Group annually determines the current value of the property investments on the basis of independent expert valuations. Overall, the expert's valuation of the property investments at 31/12/2012 was Euro 125.3 million higher than book value at the same date.

The composition of the investment property and the movement in the year is shown below:

	31/12/2012	31/12/2011
Gross carrying value	747,691	1,032,706
Depreciation and impairment	-134,503	-122,013
Net book value	**613,188**	**910,693**

(in Euro thousands)	2012	2011
Value at beginning of year	910,693	1,000,349
Increases:		
• for purchases	-	259
• for incremental expenses	825	20,271
Buildings from business combinations	-	-
Reduction for disposals	-50,765	-1,808
Depreciation	-24,455	-27,418
Transfers to other asset categories	-132,001	11,098
Impairments recorded in the year	-91,109	-92,058
Other changes	-	-
Value at end of year	**613,188**	**910,693**

During the year, rental income from investment property and expense reimbursements amounted to Euro 29,148 thousand while operating costs, mainly relating to building lease charges, amounted to Euro 17,002 thousand.
There are no significant limits to the realisation of the investment property due to restrictions of a legal, contractual or any other nature.

The **disposals** principally relate to the building for office use in Milan, Piazza S. Maria Beltrade, sold at the end of June to Carlyle Real Estate SGR S.p.A., at a price of Euro 63 million, resulting in a gain of Euro 14.6 million.

The **transfers to other asset categories** refer to the payments on account made in previous years to the companies Im.Co. S.p.A and Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to purchase contracts of future construction operations at Via Confalonieri - Via de Castillia (Lunetta dell'Isola) at Milan and Via Fiorentini at Rome. Following the bankruptcy judgment of the above companies of June 14, 2012 by the Civil Section of the Milan Court, the book value of these real estate initiatives, which until the 2011 financial statements were recognised in the account *Investment Property*, was reversed and recognised to the account *Other Receivables*. The above-stated operations provided that Milano Assicurazioni would become the owner of these buildings only when completed and approved and the contracts did not contain specific guarantees. The declaration of bankruptcy therefore put the company at risk of losing the right of delivery of these buildings under construction, remaining creditors for the amounts paid on account.

Impairments were recognised based on an independent experts' valuation at year-end and concern the following buildings:

Owned by Milano Assicurazioni:

- Milan, Via Caldera, Euro 19,666 thousand;
- Milan, Via Crespi, Euro 6,398 thousand;
- Milan, Viale Lancetti, Euro 12,404 thousand;
- Bologna, Via Bassi, Euro 3,504 thousand;
- Turin, Strada del Drosso, Euro 454 thousand.
- Rome, via In Arcione, Euro 1,430 thousand.

Owned by Campo Carlo Magno:

- Pinzolo, Madonna di Campiglio locality, Golf Hotel complex, Euro 4,710 thousand.

Owned by Athens R.E. Fund:

- Civitella Paganico, Hotel Terme di Petriolo, Euro 8.823 thousand;
- Taormina, Hotel Capotaormina, Euro 3,111 thousand.

Owned by Immobiliare Milano Assicurazioni, Euro 29,966 thousand.

Owned by Liguria Assicurazioni, Euro 643 thousand.

In relation to the write-downs, it should be noted that the lower value attributed to the properties compared to the valuations already prudently made in the previous year were impacted by the underlying economic difficulties in which the real estate sector values are not expected to increase.

The general outlook anticipates unsold building stock or repossessions against unpaid mortgages and continued difficulty in accessing credit by both sector operators and private individuals.

In addition, the introduction of the IMU property tax, much higher than the previous ICI property tax, significantly impacted all asset values calculated under yield methods such as the DCF.

Against this background it is difficult to anticipate, at least in the short-term period, that the Group development projects and other real estate initiatives can result in the full recovery of investments.

These problems are also compounded by significant over-supply in the services sector between demand and offer, with prolonged selling periods and increased requests for discounts by operators.

Finally, the risk perception by investors continues to remain high and which has resulted in a reduction by valuers in the expected yields for vacant buildings or development projects, an increase in the discount rate and of the exit yield in the DCF models utilised for the valuation of assets, with a consequent reduction in the market value in the properties.

Finally, we report that the valuation of the real estate assets in 2012 was assigned to the same independent expert utilised in 2011 in order to ensure methodological continuity, an important factor considering the difficulties in the market.

Investments in subsidiaries, associates and joint ventures

In accordance with IAS 27 (Consolidated and separate financial statements), all of the Group companies are fully consolidated, including those which undertake dissimilar activities. The amount recorded therefore refers to holdings in associated companies, valued under the equity method.

(in Euro thousands)	**31/12/2012**	**31/12/2011**
A7 S.r.l. in liquidation	141	266
Atahotels S.p.A.	-	1,589
Borsetto S.r.l.	2,526	2,891
Garibaldi S.c.a.	70,254	56,119
Gruppo Fondiaria-Sai Servizi S.c.r.l.	13,280	11,720
Isola S.c.a.	12,812	11,096
Immobiliare Lombarda S.p.A.	6,873	8,516
Metropolis S.p.A. in liquidation	-	-
Penta Domus S.r.l.	2,834	-
Sai Investimenti SGR S.p.A.	2,287	1,639
Service Gruppo Fondiaria-Sai S.r.l.	230	351
Servizi Immobiliari Martinelli S.p.A.	144	129
Sviluppo Centro Est S.r.l.	-	-
Valore Immobiliare S.r.l.	583	6,100
TOTAL	**111,964**	**100,416**

The value of the investments held in Garibaldi S.C.A. and Isola S.C.A. are prevalently represented by profit participation financial instruments whose remuneration is linked to the results of the issuer.

The issuers are involved in property projects in the Porta Nuova area of Milan. Considering both the nature of the project and the quality of the industrial partner, there are currently no elements which would impact the recoverability of the investment, also in light of the total net value of the related Real Estate Funds.

Investments held-to-maturity

These amount to Euro 185,360 thousand (fair value of Euro 198,353 thousand) and comprise:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Non quoted debt securities	1,429	1,379	50
Quoted debt securities	183,931	127,548	56,383
TOTAL	**185,360**	**128,927**	**56,433**

This category includes securities related to policies with fixed returns or covered by contractual commitments realised through specific assets.

Loans and receivables

The account amounts to Euro 891,522 thousand (fair value Euro 924,888 thousand) and is composed as follows:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Debt securities	787,456	799,122	-11,666
Loans on life policies	19,342	21,185	-1,843
Deposits with reinsurers	1,869	2,193	-324
Receivables from sub-agents for indemnities paid to agents terminated	59,808	57,814	1,994
Other financial investments	10,000	13,000	-3,000
Other loans and receivables	13,047	12,224	823
TOTAL	**891,522**	**905,538**	**-14,016**

The account Debt securities with a fair value at June 30, 2012 of Euro 820.8 million principally includes:

- Euro 489.7 million of Italian government bonds undertaken in “Private Placement” as a stable investment and not listed on the Italian Stock Market. The classification of these securities in this category is due therefore to the lack of an active reference market;
- approx. Euro 231 million relating to financial instruments transferred from the AFS category at the beginning of 2009. These refer to corporate bonds with subordination clauses, with carrying values below the repayment value and high yields.

The classification in this category is due to the technical characteristics of the securities, the desire to maintain them in portfolio until maturity and the high levels of volatility which continue to affect the markets and which do not always guarantee prices in line with the underlying fundamentals of the issuing companies. These securities were valued at amortised cost. The related losses at the transfer date, which decreased from Euro 23.8 million at January 1, 2009 to Euro 10.3 million at December 31, 2012, were recorded under shareholders' equity in the account Profits or losses on AFS financial assets. The fair value of these securities at December 31, 2012 was Euro 248.2 million, recording in the income statement for the year gains of Euro 9.5 million.

- the book value of some issues which are classified in this category in the absence of an active reference market cannot be accurately established (in particular the special issue securities of Ania).

The receivables from agents for the recovery of indemnities paid to their predecessors are recorded in this account in accordance with the requirements of Isvap Regulation No. 7 of July 13, 2007 and in consideration of their interest bearing nature.

AFS financial assets

AFS financial assets include debt and equity securities, as well as investment unit funds, not otherwise classified. They represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.

The division by type is as follows:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Quoted equity securities	119,382	307,672	-188,290
Non quoted equity securities	72,118	64,265	7,853
Quoted debt securities	5,917,511	5,168,581	748,930
Non quoted debt securities	31,171	26,781	4,390
Fund units	368,104	516,907	-148,803
TOTAL	**6,508,286**	**6,084,206**	**424,080**

The listed financial instruments recorded in this category are valued at market value at the last day of trading in the year, with allocation of the differences compared to cost in a specific net equity reserve, except for the recording of reductions in value which are recorded in the income statement.

The impairments in 2012 amounted to Euro 53.7 million and principally relate to:

- further impairments for Euro 30.2 million on securities previously written down and whose book value was aligned to the share price at year-end in accordance with IAS 39 (IG.E.4.9). These principally concern shares of Generali (Euro 9.7 million), Unicredit (Euro 9.8 million) and RCS (Euro 2 million);
- impairments relating to securities impacted by the continued poor financial market performance, resulting in the year of a listed value lower than the book value for a continuous period of at least 3 years (Euro 4.8 million);
- impairments on securities presenting a reduction in market value at the end of the period of greater than 50% of their original cost (Euro 7.2 million).
- impairments based on analytical valuations for Euro 11.4 million principally relating to Mediabanca shares (Euro 10.3 million).

It should be noted that the above-mentioned significance thresholds for the automatic recognition of impairment on listed equity securities recorded under assets available for sale (losses over a period of at least 3 years or losses above 50% of the book value) changed compared to the previous year interim and annual accounts, also to align with the criteria adopted by the Unipol Group which as noted from July of the current year acquired control of the Premafin Group. The change did not have a significant economic effect (Euro 1 million higher impairment charge before tax). For further information on the impairment policy and on the changes compared to the previous year, reference should be made to the accounting principles.

The current value of the investment in the Bank of Italy was updated based on valuation methods commonly utilised by financial analysts. The fair value valuation of the investment was Euro 46 million (Euro 40 million in 2011) compared to a historical cost of Euro 8 thousand and resulted in the recording of a reserve of Euro 45,992 thousand, before the tax effect.

The net equity reserve, based on the difference between the average weighted cost and the fair value of instruments classified in this category, was positive for Euro 106.7 million (negative for Euro 222.2 million at December 31, 2011). The following table highlights the composition and movements on the previous year:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Debt securities	89,429	-414,424	503,853
Fund units	26,381	49,024	-22,643
Equity securities	52,167	-25,549	77,716
Gross AFS reserve	**167,977**	**-390,949**	**558,926**
Shadow accounting reserve	-36,410	71,515	-107,925
Tax effect	-24,902	97,256	-122,158
Net AFS reserve	**106,665**	**-222,178**	**328,843**

Financial assets at fair value recorded through the Profit or Loss account

The breakdown is as follows:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Quoted equity securities	283	157	126
Quoted debt securities	25,314	151,505	-126,191
Non quoted debt securities	100,193	13,698	86,495
Fund units	37,662	48,618	-10,956
Other financial instruments	1,640	12,126	-10,486
TOTAL	**165,092**	**226,104**	**-61,012**

The amount includes Euro 131,814 thousand of investment contracts where the risk is borne by the policyholders and Euro 23,153 thousand of investments relating to pension fund management.

The listed financial instruments recorded in this category are valued at market value at the last day of trading in the year, with allocation of the difference with the carrying value to the income statement.

Financial assets and liabilities by level

A breakdown by hierarchical level of the financial instruments valued at fair value is summarised in the table below:

(in Euro thousands)	Level 1	Level 2	Level 3	Total
AFS financial assets	**6,149,450**	**11,037**	**347,799**	**6,508,286**
- Equity securities	119,382	-	72,118	191,500
- Debt securities	5,917,511	11,037	20,134	5,948,682
- Fund units	112,557	-	255,547	368,104
- Other financial instruments	-	-	-	-
Financial assets held for trading	**528**	**-**	**-**	**528**
- Equity securities	-	-	-	-
- Debt securities	528	-	-	528
- Fund units	-	-	-	-
- Other financial instruments	-	-	-	-
Financial assets designated at fair value to the income statement	**62,731**	**76,084**	**25,749**	**164,564**
- Equity securities	3	-	-	3
- Debt securities	7,968	1,353	244	9,565
- Fund units	-	-	-	-
- Other financial instruments	-	6	23	29
- Financial assets where risk is borne by policyholders and pension fund management	54,760	74,725	25,482	154,967
Total assets at fair value	**6,212,709**	**87,121**	**373,548**	**6,673,378**
Financial liabilities held for trading	**-**	**-**	**-**	**-**
Other financial liabilities	-	-	-	-
Financial liabilities at fair value through P&L	**-**	**72,510**	**-**	**72,510**
- Liabilities from financial contracts issued by insurance companies	-	56,371	-	56,371
- Other financial liabilities	-	16,139	-	16,139
Total liabilities at fair value	**-**	**72,510**	**-**	**72,510**

In relation to the hierarchical classification of the fair value we report that, in 2012, it was decided to consider, within the fair value levels reported above, all the securities classified in the categories Available for sale and Assets at fair value through profit and loss. Therefore a best interpretation of the standard was applied, also including the non-listed investments valued at cost.

In addition, due to the entry into the Unipol Group and for a more correct application of IFRS 7 (also following indications provided by IFRS 13) a new analysis of the requirements for the classification within the different categories of fair value was made.

In particular within level 3 the property funds and the non-listed investments were reclassified, while in relation to the investments in which the risks are borne by the policyholders in the Life Insurance Sector a more exact verification was made by means of a "look-through" approach to verify compliance with the requirements for each of the 3 categories of the fair value hierarchy.

Finally, we report that the AFS capital securities of level 3 of the fair value hierarchy includes the investment held in Bank of Italy whose valuation, made in accordance with common methodologies applied by financial analysts, determined the fair value of the investment at around Euro 46 million (Euro 40 million at December 31, 2011).

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Receivables from direct insurance operations	502,380	614,040	-111,660
Receivables from reinsurance operations	32,505	47,067	-14,562
Other receivables	440,150	298,165	141,985
TOTAL	**975,035**	**959,272**	**15,763**

Receivables from direct insurance operations include:
- receivables from policyholders of Euro 243,296 thousand, of which Euro 237,956 thousand referring to the premiums for the year and Euro 5,340 thousand for premiums of previous years;
- receivables from insurance brokers for Euro 190,915 thousand;
- receivables from insurance companies for Euro 16,366 thousand;
- receivables from policyholders and others for sums to be recovered for Euro 51,803 thousand.

With reference to the above receivables, the Group does not have significant concentrations of credit risks with parties external to the former Fondiaria-Sai group, as the credit exposure is divided among a large number of clients.

The other receivables are broken down as follows:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Receivables from Fondiaria-Sai for Group VAT and tax consolidation	127,997	94,956	33,041
Receivables from Im.Co. and A.S.A.	78,409	-	78,409
Tax reimbursements	14,994	25,071	-10,077
Other receivables	218,750	178,138	40,612
TOTAL	**440,150**	**298,165**	**141,985**

The receivables from Im.Co. S.p.A. and A.S.A. (Avvenimenti e Sviluppo Alberghiero s.r.l.), former related parties of Milano Assicurazioni, refer to the estimated realisable value of the amounts paid concerning future construction contracts signed in previous years with these companies and previously recognised to investment property. The recognition to receivables was carried out following the bankruptcy judgment against Im.Co. and Sinergia of June 14, 2012. The above-stated operations provided that Milano Assicurazioni would become the owner of these buildings only when completed and approved and the contracts did not contain specific guarantees. The declaration of bankruptcy therefore put the company at risk of losing the right of delivery of these buildings under construction, remaining creditors for the amounts paid on account.

The above-stated receivables were valued by independent experts who established an impairment in the year of Euro 61.6 million.

In the 2011 financial statements, in relation to the above-stated property initiatives, an impairment of Euro 39.1 million was already recognised.

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

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

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

Based on the parameters utilised, against an original amount of receivables of Euro 179.1 million (of which Euro 77.4 million from Im.Co and Euro 101.7 million from Avvenimenti e Sviluppo Alberghiero), the valuation established a recoverable value of Euro 78.4 million.

The statement of affairs filed with the receiver concerned the entire amount of receivables from Im.Co of approx. Euro 77 million.

6. OTHER ASSETS

The account amounts to Euro 421,925 thousand and is comprised of:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Non-current assets or of a discontinued group held for sale	-	44,503	-44,503
Insurance deferred acquisition costs	13,890	10,741	3,149
Deferred tax assets	283,663	393,848	-110,185
Tax receivables	42,100	40,595	1,505
Other assets	82,272	68,435	13,837
TOTAL	**421,925**	**558,122**	**-136,197**

Insurance deferred acquisition costs

The deferred acquisition costs of Euro 13,890 thousand (Euro 10,741 thousand at 31/12/2011) refer to the acquisition commissions on long-term contracts which, in accordance with the accruals principle, are amortised for the duration of the relative contracts.
The movements during the year were as follows:

(in Euro thousands)		**31/12/2012**		
	Non-Life Sector	**Life Sector**	**Total**	**31/12/2011**
Balance at beginning of the year	-	10,741	10,741	7,477
Increases in the year	2,512	2,799	5,311	4,660
Amortisation in the year (-)	-	-2,162	-2,162	-1,396
Balance at end of year	**2,512**	**11,378**	**13,890**	**10,741**

The commissions on the long-term contracts issued in 2012 are amortised over three years; in the Life sector the amortisation is based on the duration of each contract, but in any case no longer than ten years.
In the previous year, the commissions on the long-term contracts concerning the Non-Life sector were entirely expensed in the income statement. The change permits a better matching of the costs compared to the general prudence principle and however did not have a significant impact on the result for the year (Euro 2.5 million lower costs, before the tax effect).

Deferred tax assets

The account amounts to Euro 283,663 thousand of which Euro 106,669 thousand recorded against tax losses at 31/12/2012 and Euro 176,994 thousand calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the accounts and the respective tax value according to the "balance sheet liability method" principle established by IAS 12. Where permitted by IAS 12, deferred tax assets and liabilities were compensated.
The amount relating to the fiscal losses includes:

- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni in 2010 of Euro 27,776 thousand;
- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni in 2011 of Euro 42,971 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group, amounting overall to Euro 35,922 thousand.

The relative benefits of the tax losses were recorded on fulfilling the following requirements:

- there exists a reasonable certainty to achieve fiscal assessable income which will absorb the fiscal losses;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

The possibility that the benefits related to the tax losses will be realised was analysed based on the 2013-2015 Industrial Plan approved by the Board of Directors and on the outlook, also considering that established for the purposes of the impairment tests on goodwill.

The following table reports the breakdown of the accounts, whose differential between the book value and tax value, resulted in the recognition of deferred tax assets:

(in Euro thousands)	**31/12/2012**
Tax losses	106,669
Goodwill, other intangible assets, deferred acquisition costs	4,999
Write-down receivables from policyholders for premiums	71,672
Write-down of other receivables	33,821
Insurance contract liabilities	86,748
Property	49,629
Provisions for risks and charges	20,807
Financial instruments	24,274
Other	12,646
Offsetting of IAS 12 under deferred tax assets and deferred tax liabilities	*-127,602*
TOTAL	**283,663**

Tax receivables

The current tax assets, amounting to Euro 42,100 thousand, refer principally to tax authorities for payments on account and withholding taxes. The account includes amounts paid on account on the life division actuarial provisions pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02, converted into article 1 of Law 265/2002, as supplemented, recorded in accordance with Isvap Regulation No. 7 of July 13, 2007.
Where permitted by IAS 12, current tax assets and liabilities are compensated.

Other assets

The account amounts to Euro 82,272 thousand and includes the taxes on the actuarial provisions of the Life sector for the year of Euro 8,724 thousand and indemnities paid to agencies (Euro 9,576 thousand).

7. CASH AND CASH EQUIVALENTS

The total recorded amounts to Euro 320,299 thousand. This account includes the liquidity and deposits and bank current accounts with maturity less than 15 days.

Balance Sheet - Liabilities

SHAREHOLDERS' EQUITY & LIABILITIES

1. SHAREHOLDERS' EQUITY

The consolidated Shareholders' Equity at December 31, 2012, inclusive of the result for the year and the minority interest share, amounts to Euro 1,039,231 thousand. The following table reports the breakdown of the individual accounts and the comparison with the previous year.
In this regard, we report both the figures for the 2011 financial statements originally published and the "IAS Restated" figures taking account of CONSOB Decision No. 18432 of December 31, 2012 concerning the non-compliance of the 2011 financial statements.
The total shareholders' equity remains unchanged and the restatement only related to a reduction in the 2011 loss of Euro 133 million and a reduction of a similar amount of retained earnings and other capital reserves.
For further information on the restatement of the 2011 figures reference should be made to the first part of the present Report.

(in Euro thousands)	**31/12/2012**	**31/12/2011 IAS 8 Restated**	**31/12/2011**
Group Net Equity	**1,037,896**	**928,212**	**928,212**
Share capital	373,682	373,682	373,682
Other equity instruments	-	-	-
Capital reserves	406,634	951,244	951,244
Retained earnings and other reserves	413,991	217,086	350,086
Treasury shares	*-31,353*	*-31,353*	*-31,353*
Reserve for currency translation difference	-	-	-
Unrealised gain or loss on AFS financial assets	106,665	-222,178	-222,178
Other unralised gains and losses recorded through equity	-15,676	-5,790	-5,790
Group net loss	-216,047	-354,479	-487,479
Minority interest equity	**1,335**	**1,325**	**1,325**
Non-controlling interest capital and reserves	1,456	1,461	1,461
Unrealised gains and losses recorded through equity	-	-8	-8
Net loss for the year	-121	-128	-128
TOTAL	**1,039,231**	**929,537**	**929,537**

The change in the consolidated net equity is shown in the specific schedule attached to the present notes.

The disclosures on the composition and on the movements in the share capital required by IAS 1.79 is provided below:

	Ordinary 31/12/2012	Savings 31/12/2012	Ordinary 31/12/2011	Savings 31/12/2011
Number of shares issued	1,842,334,571	102,466,271	1,842,334,571	102,466,271

	Ordinary	Savings	Total
Shares existing at 1/1/2012	1,842,334,571	102,466,271	1,944,800,842
Treasury shares (-)	-6,764,860	-	-6,764,860
Shares outstanding: balance at 1/1/2012	1,835,569,711	102,466,271	1,938,035,982
Increases:			
Sale of treasury shares	-	-	-
Share capital increase	-	-	-
Decreases:			
Purchase of treasury shares	-	-	-
Shares outstanding: existence at 31/12/2012	**1,835,569,711**	**102,466,271**	**1,938,035,982**

The above-stated shares were entirely paid in and without a nominal value as resolved by the Extraordinary Shareholders' Meeting of April 27, 2011.

The savings shares do not carry voting rights and devolve the following rights:

- a dividend up to 5% of the amount of Euro 0.52 (and therefore of Euro 0.026). Where the profits for the year do not permit a dividend of 5% for the saving shares, the difference is included as an increase in the dividend in the two following years. Furthermore, the profits distributed as dividend by the Shareholders' Meeting are divided among all the shares in order that the saving shares receive a dividend higher than the ordinary shares of 3% of Euro 0.52 (and therefore Euro 0.0156);

- when the share capital has to be written down to cover losses, this does not imply a reduction of the nominal value of the savings shares, except when the losses to be covered exceed the total nominal value of the ordinary shares;
- should the Company be wound up, the ordinary shares shall not receive any part of the share capital until the entire value of the savings shares has been reimbursed.

Capital reserves

The capital reserves, amounting to Euro 406,634 thousand, refer to the share premium reserve. This account is net of the Euro 9,663 thousand relating to the costs related to the share capital increase in 2011 which, in accordance with paragraph 35 of IAS 32, is recorded as a direct deduction of net equity.

Retained earnings and other provisions

They principally comprise profits carried forward (Euro 463,729 thousand). The account also includes the consolidation reserve, negative for Euro 31,593 thousand, the reserve for gains and losses deriving from the first-time application of the international accounting standards for a negative amount of Euro 44,058 thousand and the merger reserve of Euro 25,913 thousand.

Treasury shares

The account amounts to Euro 31,353 thousand (amount unchanged compared to 31/12/2011). These consist of 6,764,860 ordinary shares of the Parent Company, recorded at purchase price. This account reduced the net equity in accordance with IAS 32.

Unrealised gain or loss on AFS financial assets

A profit net of taxes of Euro 106,665 thousand was recorded, representing the difference between the acquisition costs and market prices of the AFS financial assets where these differences are not indicative of reductions in value. The account is recorded net of the part attributable to the policyholders and recorded as insurance liabilities in accordance with the accounting method contained in paragraph 30 of IFRS 4 (shadow accounting). Euro 10.3 million of losses relating to financial instruments transferred to the *Loans and Receivables* category are also included.

Other unrealised gains and losses through equity

They relate to:

- losses of an actuarial nature consequent of the application of IAS 19 (Euro 7,303 thousand);
- losses deriving from the valuation of a derivative financial instrument to hedge cash flows (Euro 8,373 thousand).

Minority interest equity

The minority interest shareholders’ equity amounts to Euro 1,335 thousand and refers principally to the minority holding of Pronto Assistance Servizi S.c.r.l..

* * *

The reconciliation between the net result and net equity of Milano Assicurazioni and of the consolidated financial statements are shown below.

RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(in Euro thousands)	Net result	
	2012	**2011**
Statutory financial statements of Milano Assicurazioni S.p.A. in accordance with Italian GAAP	**-82,922**	**-783,309**
Effects deriving from the application of IAS/IFRS on the Parent Company:		
IAS 38 "Intangible assets"		
-Goodwill	11,234	16,320
- Other intangible assets	1,552	2,943
IAS 16-40 "Buildings and investment property"		
- Buildings	8,714	6,076
IAS 32 "Financial instruments: presentation"		
- Treasury Shares	-572	6,535
IAS 19 "Employee Benefits"		
- Leaving indemnity and other employment benefit	-5,491	416
IAS 39 "Financial Instruments"		
- Financial assets and liabilities	-161,829	338,068
IFRS 4 "Insurance contracts"		
- Equalisation and unearned premium provision	-13,605	4,599
- Actuarial provisions	-4,676	-6,686
Tax effect on IAS/IFRS adjustments	48,070	-50,300
Financial statements of Milano Assicurazioni in accordance with IAS/IFRS accounting standards	**-199,525**	**-465,338**
Consolidation adjustments:		
- Difference between valuation and share of net equity:		
Consolidated line-by-line	17,294	-27,811
Valued under the equity method	-1,910	665
- Difference allocated to assets	-12,931	-15,582
- Difference arising on consolidation	-49	
- Application of different accounting principles	-14,757	18,368
- Difference on assets discontinued		-5
- Elimination effects of inter-group operations:		
Dividends	-121	-511
Other intra-group operations		185
- Tax effects of the consolidation adjustments	-4,048	2,550
Consolidated financial statements of Milano Assicurazioni in accordance with IAS/IFRS (group share)	**-216,047**	**-487,479**
- 2011 restatement effect		133,000
Consolidated financial statements of Milano Assicurazioni in accordance with IAS/IFRS (group share)	**-216,047**	**-354,479**

RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS		
(in Euro thousands)	Net equity	
	31/12/2012	31/12/2011
Statutory financial statements of Milano Assicurazioni S.p.A. in accordance with Italian GAAP	**977,711**	**1,761,020**
Effects deriving from the application of IAS/IFRS on the Parent Company:		
IAS 38 "Intangible assets"		
-Goodwill	174,232	157,912
- Other intangible assets	-11,776	-14,719
IAS 16-40 "Buildings and investment property"		
- Buildings	-58,271	-64,347
IAS 32 "Financial instruments: presentation"		
- Treasury Shares	-1,547	-8,082
IAS 19 "Employee Benefits"		
- Leaving indemnity and other employment benefit	-6,861	-548
IAS 39 "Financial Instruments"		
- Financial assets and liabilities	348,391	-517,993
IFRS 4 "Insurance contracts"		
- Equalisation and unearned premium provision	47,805	43,206
- Actuarial provisions	-1,284	110,192
Tax effect on IAS/IFRS adjustments	-162,648	-10,390
Financial statements of Milano Assicurazioni in accordance with IAS/IFRS accounting standards	**1,305,752**	**1,456,251**
Consolidation adjustments:		
- Difference between valuation and share of net equity:		
Consolidated line-by-line	-134,744	-113,340
Valued under the equity method	-7,903	-12,835
- Difference allocated to assets	25,963	41,545
- Difference arising on consolidation	59,038	59,038
- Application of different accounting principles	54,602	36,475
- Difference on assets discontinued		5
- Elimination effects of inter-group operations:		
Dividends	121	511
Reversal goodwill deriving from merger deficit	-25,451	-25,451
Other intra-group operations	-16,548	-17,075
- Tax effects of the consolidation adjustments	-6,887	-9,433
Consolidated financial statements of Milano Assicurazioni in accordance with IAS/IFRS (group share)	**1,253,943**	**1,415,691**
- 2011 restatement effect		-133,000
Consolidated financial statements of Milano Assicurazioni in accordance with IAS/IFRS (group share)	**-216,047**	**1,282,691**

2. PROVISIONS FOR RISKS AND CHARGES

The account includes the reasonable valuation of the future charges and risks existing at the balance sheet date, also deriving from disputes in course.
In particular, Euro 80.9 million relates to risk provisions, principally concerning disputes and risks with the agency networks, Euro 8.4 million relating to the share of the equity deficit of the associated company Atahotels and Euro 2.8 million concerning provisions for other risks.

The movements are as follows:

(in Euro thousands)	
Balance at beginning of year	119,870
Increases in the year	18,963
Utilisation in the year	-46,732
Other changes	
Balance at end of year	**92,101**

3. INSURANCE CONTRACT LIABILITIES

Details of this account are shown below:

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
NON-LIFE INSURANCE SECTOR			
Unearned premium provision	1,052,922	1,146,826	-93,904
Claims provision	4,441,402	4,380,552	60,850
Other provisions	2,488	2,897	-409
Total Non-Life sector	**5,496,812**	**5,530,275**	**-33,463**
LIFE INSURANCE SECTOR			
Actuarial provisions	3,211,455	3,453,474	-242,019
Provision for claims to be paid	43,461	43,083	378
Technical provisions where investment risk borne by policyholders and from pension fund management	98,597	133,304	-34,707
Other provisions	24,188	-87,937	112,125
Total Life sector	**3,377,701**	**3,541,924**	**-164,223**
TOTAL INSURANCE CONTRACT LIABILITIES	**8,874,513**	**9,072,199**	**-197,686**

The *unearned premium provision* includes Euro 1,040.3 million of premium fraction provision for direct business, Euro 11.8 million for the provision for risks in course and Euro 0.8 million of unearned premium provision relating to indirect business.

The claims provision includes Euro 331.8 million accrued against claims referring to the year but not yet reported at the balance sheet date (I.B.N.R late claims reserve).

The *other technical provisions of the Non-Life division* refer to the ageing provision pursuant to ISVAP Regulation No. 16 of March 4, 2008.

The actuarial provision includes the additional provision on the financial risk equal to Euro 25.7 million, determined according to ISVAP Regulation No. 21 of March 28, 2008.

The insurance contract liabilities of the life sector amount to Euro 1,324 million concerning investment contracts with a discretional profit participation in accordance with the application of paragraph 2b) of IFRS 4.

The “other technical provisions” of the life sector principally include the provision for future expenses (Euro 17.3 million) and the provision for deferred liabilities due to policyholders (Euro 6.6 million), determined applying the shadow accounting method, as per paragraph 30 of IFRS 4, which substantially represents the unrealised gains/losses on the investments in the segregated funds of the life division borne by policyholders.

The movements in claims costs of previous years had a negative impact on the income statement of approx. Euro 369 million. The negative balance 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.

4. FINANCIAL LIABILITIES

(in Euro thousands)	**31/12/2012**	**31/12/2011**	**Change**
Financial liabilities at fair value through profit or loss	72,510	70,858	1,652
Other financial liabilities	254,895	299,339	-44,444
TOTAL	**327,405**	**370,197**	**-42,792**

The financial liabilities designated at fair value essentially include (Euro 56,371 thousand) liabilities relating to life policies that, although legally insurance contracts, have an insignificant insurance risk and therefore do not fall within the remit of IFRS 4.

The **other financial liabilities** principally include deposits consisting of guarantees in relation to risks ceded in reinsurance (Euro 103,000 thousand) and subordinated liabilities of Euro 151,895 thousand.

The subordinated liabilities are composed as follows:
- Euro 50,620 thousand, equal to the amortised cost of the subordinated loan provided to Milano Assicurazioni by Mediobanca in 2006 for an original amount of Euro 150 million (Euro 100 million was repaid in 2008). This loan provides for an interest rate of Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. The loan may also be repaid in advance, including partially, from the tenth anniversary of the loan and with authorisation from ISVAP.
- Euro 101,275 thousand, equal to the amortised costs of the loan of Euro 100 million provided to Milano Assicurazioni by Mediobanca in 2008. This loan was of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to 50% of the lower value between the available margin and the solvency margin requested. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months +350 basis points for the first ten years and subsequently 450 basis points. The repayment should be made in one repayment after 10 years.

In accordance with CONSOB Resolution No. DEM/6064293 of 28/7/2006, the above-stated subordinated liabilities are supported by particular contractual clauses protecting the rights and interests of the lenders.

In relation to the subordinated loan issued in 2006 (of which a nominal Euro 50 million is outstanding and concerning the subordinated loan contract of Euro 300 million signed on June 22, 2006, undertaken for 50% by Fondiaria-SAI S.p.A. and the other 50% by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) of the contract establishes, as a general obligation of the Parent Company, the continued control (in accordance with Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A..

In relation to the hybrid loan of Euro 100 million, the faculty to convert into shares of the Issuer is subject to, in addition to any resolution by the extraordinary shareholders' meeting of the Issuer 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 Issuer is voluntarily subject, no longer being subject to the Standard & Poor's rating) of the beneficiary companies to "BBB-" or a lower grade;

(ii) the reduction in the solvency margin of the beneficiary companies, as established by Article 44 of the Insurance Code, to a level below or equal to 120% of the solvency margin required by Article 1, paragraph hh) of the Insurance Code,

if (a) the situation causing the above stated events is not resolved, for both events, in the two fiscal years immediately subsequent, or (b) the solvency margin in the two subsequent fiscal years is not rectified to at least 130% of the requested solvency margin, Milano Assicurazioni may, over a period of more than two years, put in place measures to enable compliance with the requested parameters.

This information is provided although there is little possibility of contractual events arising for the protection of the lenders. The defining factors of the subordinated and/or hybrid loans relate in general not just to the repayment of such before the payment of all other payables owing to the insurance company at the settlement date, but also the need to obtain, in accordance with the applicable regulation, prior authorisation for repayment by ISVAP.

It is finally 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 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.

5. PAYABLES

The account amounts to Euro 312,522 thousand and is comprised of:

(in Euro thousands)	**2012**	**2011**	**Change**
Payables from direct insurance operations	19,495	24,723	-5,228
Payables from reinsurance operations	33,272	26,604	6,668
Other payables	259,755	239,182	20,573
TOTAL	**312,522**	**290,509**	**22,013**

Payables from direct insurance operations include:
- Euro 6,604 thousand with insurance intermediaries;
- Euro 10,998 thousand for payables to insurance companies;
- Euro 1,893 thousand for payables for guarantee provisions for policyholders.

Payables deriving from reinsurance operations entirely relate to the current account payables due under the various agreements in place.

The breakdown of the *Other payables* is shown below:

(in Euro thousands)	**2012**
Policyholders' tax due	17,879
Other taxes due	33,490
Social security and welfare institutions	7,529
Trade payables	6,072
Post-employment benefits	16,955
Payables to Gruppo Fondiaria-Sai Servizi S.c.r.l. for services obtained relating to the overheads structure at group level	89,876
Others	87,954
TOTAL	**259,755**

Post-employment benefits

Based on the Finance Law of 2007, employees of private sector companies with 50 or more employees had the option by June 30, 2007 to allocate the employee leaving indemnity matured from January 1, 2007 to supplementary pension funds or maintain the amount in the company, which, in this case, must then transfer these amounts to a Treasury Fund managed by INPS.

For the employees of companies with less than 50 employees this choice was optional. Where no choice was made by employees the leaving indemnity matured remained in the company.
For the purposes of the actuarial valuation of the liability related to the provision of the Employee Leaving Indemnity in accordance with IAS 19, and as per the indications of the technical organisations (Abi, Assirevi, Actuarial Body and OIC), the different cases were divided as follows:

- employees that opted for the maintaining of the employee leaving indemnity at the company: the actuarial criteria contained in IAS 19 for defined benefit plans were utilised;
- employees that opted for the allocation of the employee leaving indemnity to complementary pension schemes: the portion of employee leaving indemnity accruing from January 1, 2007 as a defined contribution plan, does not fall within the scope of IAS 19.

The changes in the year are shown below:

(in Euro thousands)

Value at 31/12/2011 (*)	**18,133**
Costs relating to current employee services	15
Financial charges	742
Actuarial gain/(loss)	4,044
Utilisation for payments made	-2,949
Other changes	-3,030
Value at 31/12/2012	**16,955**

(*) net of payments made to INPS for employees which, subsequent to the pension reform of 2007, chose to maintain their Employee Leaving Indemnity in the company and which in 2011 were recognised to other receivables.

The principal statistical-actuarial and financial assumptions utilised for the determination of the Employee Leaving Indemnity in accordance with IAS 19 are shown below:

- Discount rate: 4.94%. Following the choices of 2011, the Euro composite A (source: Bloomberg) based on the market yields of primary corporate bonds at the valuation date is used.
- Expected rate of salary increments: 1.50% based on updated historical series (period 2010-2011) of salaries and inflation adjustment. Salary increase assumptions were differentiated by contract category and by employee service period;
- Turn Over 1.41%, based on updated historical series (period 2010-2011) relating to the departure of employees from the company. The turnover assumptions were differentiated for contract, age and gender;
- Rate of inflation 1.50%. The inflation scenario used was taken from the “2012 Economic and Finance Update Document”.

The contributions and statistic data were updated with the increases in the expected life span contained in recent pension reform regulations.

6. OTHER LIABILITIES

These are broken down as follows:

(in Euro thousands)	**2012**	**2011**	**Change**
Tax liabilities	10,096	-	10,096
Deferred tax liabilities	36,078	46,542	-10,464
Liabilities of a disposal group held for sale	-	-	-
Other liabilities	114,663	138,998	-24,335
TOTAL	**160,837**	**185,540**	**-24,703**

Deferred tax liabilities
The deferred tax liabilities, amounting to Euro 36,078 thousand, include the temporary tax differences relating to balance sheet and income statement accounts, which will be cancelled in future years.
Where permitted by IAS 12, the amounts are offset with deferred tax assets.

The following table reports the breakdown of the accounts, whose differential between the book value and fiscal value, resulted in the recognition of deferred tax liabilities:

(in Euro thousands)	**31/12/2012**
Goodwill, other intangible assets, deferred acquisition costs	69,330
Insurance contract liabilities	9,740
Property	5,061
Financial instruments	77,586
Other	1,963
Offsetting of IAS 12 under deferred tax assets and deferred tax liabilities	*-127,602*
TOTAL	**36,078**

Other liabilities
The account amounts to Euro 114,663 thousand and is principally comprised of:
- commissions on premium collection of Euro 36,756 thousand;
- reinsurance premiums of Euro 8,172 thousand;
- over commissions paid for Euro 13,238 thousand;

PART C - Information on the consolidated income statement

NET PREMIUMS

The consolidated net premiums written amounted to Euro 3,074,067 thousand, a decrease of 6.3% on the previous year. Before reinsurance premiums written by the Group amounted to Euro 3,205,532 thousand, a decrease of -6.3%.

Premiums written in the life division amounted to Euro 378,564 thousand (-4.6%). The premiums written in the non-life sector amount to Euro 2,733,079 thousand (-8.2%). The analysis of the change compared to the previous year was already undertaken in the first part of the present report to which reference should be made.

The table below shows the breakdown of gross premiums written and those ceded in reassurance.

(in Euro thousands)	**2012**	**2011**	**Change**
Gross Life premiums written	**378,564**	**396,951**	**-18,387**
Gross Non-Life premiums written	2,733,079	2,978,926	-245,847
Change gross premium provision	93,889	45,247	48,642
Total Non-Life Sector	**2,826,968**	**3,024,173**	**-197,205**
Gross premiums written	**3,205,532**	**3,421,124**	**-215,592**

(in Euro thousands)	**2012**	**2011**	**Change**
Life premiums ceded	**10,763**	**12,908**	**-2,145**
Non-Life premiums ceded	121,263	126,950	-5,687
Change in reinsurers provisions	-561	1,752	-2,313
Total Non-Life Sector	**120,702**	**128,702**	**-8,000**
Premiums ceded to re-insurers	**131,465**	**141,610**	**-10,145**

The account *gross premiums written* do not include the cancellation of securities issued in previous years, which were recorded in the account “Other costs”.
In relation to the breakdown of the gross premiums written among the different classes in the accounts, the division between direct and indirect business, reference should be made to the tables in the Directors’ Report.
Further information is provided as an attachment to the notes.

COMMISSION INCOME

(in Euro thousands)	2012	2011	Change
Commission income	783	851	-68

This relates to the explicit and implicit loading relating to the investment contracts not within the application of IFRS 4 as not containing a significant insurance risk. The deposit accounting method is applied to these contracts, with the recording under liabilities of the amounts collected and the recording to the income statement only of the profit margins.
The account also includes the management commissions on internal funds.

NET INCOME FROM FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE THROUGH PROFIT AND LOSS

The account amounts to Euro 11.2 million of net income compared to Euro 15.1 million of net charges recorded in 2011. The 2011 figures included the loss of Euro 17.9 million from the disposal required by law of the options concerning the Fondiaria-Sai share capital increase.

(in Euro thousands)	Net interest	Other net income	Profits realised	Losses realised	Val. gains & recovery in value	Val. losses & adjust in value	Total 2012	Total 2011	Change
Result of investments from:									
Financial assets held for trading	206	-	474	-2,096	-	-17	-1,433	2,325	-3,758
Financial assets designated at fair value through profit or loss	8,600	-1,916	18,790	-15,013	5,374	-3,202	12,633	-16,475	29,108
Financial liabilities held for trading	-	-	-	-	-	-	-	-977	977
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-
TOTAL	**8,806**	**-1,916**	**19,264**	**-17,109**	**5,374**	**-3,219**	**11,200**	**-15,127**	**26,327**

INCOME AND CHARGES FROM INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

The breakdown of the account is as follows:

(in Euro thousands)	**Net interest**	**Other net income**	**Profits realised**	**Losses realised**	**Val. gains & recovery in values**	**Val losses & adj. in values**	**Total 2012**	**Total 2011**	**Change**
Result from:									
Investment property	-	12,146	17,423	-	-	-115,564	-85,995	-106,839	20,844
Investments in subsidiaries, associates and joint ventures	-	-22,852	-	-	-	-	-22,852	-17,161	-5,691
Investments held to maturity	8,885	-	-	-	-	-	8,885	6,986	1,899
Loans and receivables	39,104	-	-	-234	2,099	-5,415	35,554	32,432	3,122
AFS financial assets	183,542	13,809	79,233	-60,848	1,423	-53,688	163,471	54,929	108,542
Receivables	2,316	237	-	-	-	-	2,553	1,512	1,041
Cash and cash equivalents	3,593	-21	-	-	-	-	3,572	3,058	514
Other financial liabilities	-10,113	-	-	-	-	-	-10,113	-11,775	1,662
Payables	-792	-	-	-	-	-	-792	-743	-49
TOTAL	**226,535**	**3,319**	**96,656**	**-61,082**	**3,522**	**-174,667**	**94,283**	**-37,601**	**131,884**

Net interest amounts to Euro 226,535 thousand and is in line with the previous year (Euro 225,625 thousand).

Other income amounted to Euro 3,319 thousand (Euro 13,369 thousand in 2011). This account includes the charges from subsidiaries, associates and joint ventures, principally relating to the losses recorded in the year by Atahotels (Euro 17.3 million), which continued to be impacted by the hotel sector crisis and whose 2012 income statement was, in addition, impacted by impairments on tangible and intangible assets.

Net gains realised amounted to Euro 35.6 million (Euro 30 million at December 31, 2011), of which Euro 20.1 million relates to losses on equity securities, Euro 7.6 million to losses on

investment fund units, Euro 45.9 million to gains on bond securities and Euro 17.4 million to gains on property investments.
The net valuation losses amounted to Euro 171.1 million (Euro 306.6 million in 2011) and concern impairments on Available for Sale financial instruments and Loans and Receivables for Euro 55.6 million, depreciation on property for Euro 24.4 million and property impairments of Euro 91.1 million based on updated independent experts' valuations.

Impairments on AFS financial instruments in 2012 total Euro 53.7 million and concern:

- further impairments for Euro 30.2 million on securities previously written down and whose book value was aligned to the share price at year-end in accordance with IAS 39 (IG.E.4.9). These principally concern shares of Generali (Euro 9.7 million), Unicredit (Euro 9.8 million) and RCS (Euro 2 million);
- impairments relating to securities impacted by the continued poor financial market performance, resulting in the year of a listed value lower than the book value for a continuous period of at least 3 years (Euro 4.8 million);
- impairments on securities presenting a reduction in market value at the end of the period of greater than 50% of their original cost (Euro 7.2 million).
- impairments based on analytical valuations for Euro 11.4 million principally relating to Mediabanca shares (Euro 10.3 million).

It should be noted that the above-mentioned significance thresholds for the automatic recognition of impairment on listed equity securities recorded under assets available for sale (losses over a period of at least 3 years or losses above 50% of the book value) changed compared to the previous year interim and annual accounts, also to align with the criteria adopted by the Unipol Group which from July of the current year acquired control of the Premafin Group.
The change did not have a significant economic effect (Euro 1 million higher impairment charge before tax). For further information on the impairment policy and on the changes compared to the previous year, reference should be made to the accounting principles.

In relation to the write-downs on Investment Property, it should be noted that the lower value attributed to the properties compared to the valuations already prudently made in the previous year were impacted by the underlying economic difficulties, which do not foresee a recovery in real estate sector values.
The general outlook anticipates unsold building stock or repossessions against unpaid mortgages and continued difficulty in accessing credit by both sector operators and private individuals.
Against this background it is difficult to anticipate, at least in the short-term period, that the Group development projects and other real estate initiatives can result in the full recovery of investments.
These problems are also compounded by significant over-supply in the services sector between demand and offer, with prolonged selling periods and increased requests for discounts by operators.

The risk perception by investors continues to remain high and which has resulted in a reduction by valuers in the expected yields for vacant buildings or development projects, an increase in the discount rate and of the exit yield in the DCF models utilised for the valuation of assets, with a consequent reduction in the market value in the properties.
Finally, we report that the valuation of the real estate assets in 2012 was assigned to the same independent expert utilised in 2011 in order to ensure methodological continuity, an important factor considering the difficulties in the market.

OTHER REVENUES

Other income amounts to Euro 168,589 thousand and is composed of:

(in Euro thousands)	**2012**	**2011**	**Change**
Other technical income	23,647	20,814	2,833
Utilisation of provisions	24,986	38,846	-13,860
Exchange differences	647	2,378	-1,731
Non recurring income	5,499	2,279	3,220
Gains realised on property and investments	24	184	-160
Recovery of expenses/administrative costs	87,211	83,193	4,018
Other income	26,575	32,404	-5,829
TOTAL	**168,589**	**180,098**	**-11,509**

The recovery of expenses and administration charges, which are offset against other charges, principally relate to recharges to the consortium company Fondiaria-Sai Servizi Group for the secondment of personnel.

NET CHARGES RELATING TO CLAIMS

The claims paid, including the sums of the life classes and the relative expenses, gross of the quota ceded in reinsurance, amount to Euro 3,014,069 thousand, a decrease of 3.6 % on the previous year (-5.3% in the Non-Life sector and +2.2% in the Life sector).

The table below shows the breakdown of the accounts relating to direct and indirect premiums, as well as the reinsurance share and the comparison with 2011.
In this regard, we report both the figures for the 2011 financial statements originally published and the “IAS Restated” figures taking account of CONSOB Decision No. 18432 of December 31, 2012.
In the “IAS 8 Restated” figures, the change in the claims provision for the year 2011 amounts to Euro 81,134 thousand instead of Euro 284,134 thousand, as Euro 203 million relating to the change in the Motor TPL claims provision was considered as per CONSOB Decision No. 18432 of December 21, 2011 as a correction of an error of the previous year consolidated financial statements.

Claims costs, amounts paid and changes in insurance contract liabilities

(in Euro thousands)	**2012**	**2011 IAS Restated**	**2011**
Non-Life Sector			
Amount paid	2,296,761	2,424,598	2,424,598
Change in recoveries	-29,498	-40,085	-40,085
Change in other technical provisions	-409	-390	-390
Change in claims provisions	61,978	81,134	284,134
Total Non-Life Insurance	**2,328,832**	**2,465,257**	**2,668,257**
Life Sector			
Sums paid	717,308	701,644	701,644
Change in actuarial provisions and other technical provisions	-237,380	-187,982	-187,982
Change in technical provision where investment risk borne by policyholders and pension fund management	-35,241	-52,614	-52,614
Change in amounts to be paid	379	-5,548	-5,548
Total Life Insurance	**445,066**	**455,500**	**455,500**
TOTAL NON-LIFE + LIFE	**2,773,898**	**2,920,757**	**3,123,757**
Amount paid	3,014,069	3,126,242	3,126,242
Change in provision	-240,171	-205,485	-2,485

Claims costs, reinsurers portion

(in Euro thousands)	**2012**	**2011 IAS Restated**	**2011**
NON-LIFE INSURANCE SECTOR			
Amount paid	71,463	66,389	66,389
Change in other technical provisions	-	-	-
Change in recoveries	-	-	-
Change in claims provisions	25,562	-14,541	-14,541
Total Non-Life Insurance	**97,025**	**51,848**	**51,848**
LIFE INSURANCE SECTOR			
Amount paid	19,041	21,744	21,744
Change in actuarial provisions and other technical provisions	-12,711	-11,878	-11,878
Change in amounts to be paid	779	-722	-722
Total Life Insurance	**7,109**	**9,144**	**9,144**
TOTAL NON-LIFE + LIFE	**104,134**	**60,992**	**60,992**
Amount paid	90,504	88,133	88,133
Change in provision	13,630	-27,141	-27,141

COMMISSION EXPENSE

These represent the acquisition costs of the contracts not within the application of IFRS 4 as not relating to a significant insurance risk.

(in Euro thousands)	**2012**	**2011**	**Change**
Commission expenses	121	233	-112

MANAGEMENT EXPENSES

The breakdown of the account is as follows:

(in Euro thousands)	**2012**	**2011**	**Change**
NON-LIFE INSURANCE SECTOR			
Acquisition commissions and changes in deferred acquisition costs	353,606	424,399	-70,793
Other acquisition expenses	86,836	87,550	-714
Collection commissions	56,158	23,337	32,821
Commissions and profit participation received from reinsurers	-40,270	-41,153	883
Total Non-Life Insurance	**456,330**	**494,133**	**-37,803**
LIFE INSURANCE SECTOR			
Acquisition commissions and changes in deferred acquisition costs	8,120	3,840	4,280
Other acquisition expenses	8,569	9,025	-456
Collection commissions	3,185	3,670	-485
Commissions and profit participation received from reinsurers	-2,820	-2,602	-218
Total Life Insurance	**17,054**	**13,933**	**3,121**
Investment management expenses	5,526	5,521	5
Other administration expenses	109,574	119,099	-9,525
TOTAL	**588,484**	**632,686**	**-44,202**

The acquisition costs of direct business matured in the year (acquisition commissions and other acquisition expenses) amount to Euro 457,131 thousand (Euro 524,814 thousand in 2011).
The commissions on the long-term contracts issued in 2012 are amortised over three years; in the Life sector the amortisation is based on the duration of each contract, but in any case no longer than ten years.
In the previous year, the commissions on the long-term contracts concerning the Non-Life sector were entirely expensed in the income statement. The change permits a better matching of the costs compared to the general prudence principle and however did not have a significant impact on the result for the year (Euro 2.5 million lower costs, before the tax effect).

OTHER COSTS

Other costs amounts to Euro 371,187 thousand and is composed of:

(in Euro thousands)	**2012**	**2011**	**Change**
Other technical charges	111,811	113,731	-1,920
Provisions	15,229	23,180	-7,951
Write-down of receivables	86,996	21,081	65,915
Non recurring expenses	10,201	7,663	2,538
Depreciation of property & equipment	743	983	-240
Amortisation of intangible assets	7,178	7,346	-168
Exchange differences	-	1,465	-1,465
Impairment on tangible assets	12,452	3,323	9,129
Impairment on intangible assets	201	-	201
Administrative costs/expenses incurred for third parties	87,211	83,193	4,018
Other expenses	39,165	74,714	-35,549
TOTAL	**371,187**	**336,679**	**34,508**

INCOME TAXES

Income taxes for the year recorded income of Euro 63,310 thousand, consisting of current taxes of Euro 5,077 thousand and net deferred tax income of Euro 68,387 thousand. The breakdown is illustrated in the following table:

(in Euro thousands)	
Current income taxes	5,077
Deferred tax liabilities arising in the year	7,323
Deferred tax liabilities utilised in the year	-63,404
Deferred tax assets arising in the year	-80,100
Deferred tax assets utilised in the year	67,794
TOTAL	**-63,310**

The reconciliation between the fiscal charges recorded in the financial statements and the IRES income tax rate for the year of 27.5% is as follows:

(in Euro thousands)	**2012**
Profit before taxes	-280,634
Taxes on theoretical income (only IRES 27.50%)	-77,174
Permanent increases	37,789
Permanent decreases	-10,068
Other differences	-12,113
Taxes on income (excluding regional tax)	**-61,566**
Irap regional tax	-1,744
TOTAL taxes for the year	**-63,310**

In order for a better understanding of the reconciliation between the effective charge in the accounts and the theoretical fiscal charge account was not taken of the Irap regional tax effect as the assessable basis for these taxes are not uniform with those utilised for Ires and therefore not directly comparable with the pre-tax effect.

Profit from discontinued operations

The amount of Euro 1,156 thousand refers to the gain obtained from the sale of the investment in IGLI S.p.A.. On March 8, 2012, Immobiliare Milano Assicurazioni sold to Autostrada Torino Milano S.p.A. the shareholding held in IGLI, of 16.67% of the share capital, and simultaneously receiving the sales price of Euro 43.8 million. The sales price was based on a forecast balance sheet at December 31, 2011, allocating to the ordinary Impregilo shares held by IGLI a unitary value of Euro 3.65.
For further information on the disposal, reference should be made to the comment on the Real Estate Sector of the first part of the present Report.

FURTHER INFORMATION

Earnings per share

The following table reports the elements for the calculation of the 2012 earnings per share and the comparison with the previous year.
In this regard, we report the "IAS Restated" figures taking account of CONSOB Decision No. 18432 of December 31, 2012 concerning the non-compliance of the 2011 financial statements. In the restated figures, the 2011 loss reduced as Euro 203 million concerning the strengthening of the prior year claims provisions, net of the tax effect, are considered by Consob as a correction of an error in previous years and therefore should not be included in the 2011 income statement. For further information on the restatement of the 2011 figures reference should be made to the first part of the present Report.

	2012	**2011 IAS Restated**	**2011**
Net profit/(loss) from ordinary operations attributed to the ordinary shareholders of the parent company (Euro thousand)	-205,759	-365,115	-491,138
Weighted average number of ordinary shares to calculate the basic earnings per share	1,835,569,711	1,148,495,288	1,148,495,288
Earnings/(loss) per share from ordinary operations – in Euro	-0.11	-0.32	-0.43

The earnings per share are calculated by dividing the net result from operating activities attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the year.
It should be noted that:

- the loss attributed to ordinary shareholders of the Parent Company is calculated as the loss for the year attributable to equity shareholders of the parent net of the portion of loss for the year attributable to savings shareholders;
- the weighted average shares outstanding is calculated net of the weighted average treasury shares held.

In accordance with paragraph 68 of IAS 33, we report the earnings per share from discontinued operations:

	2012	**2011**
Net profit/(loss) from discontinued operations attributed to the ordinary shareholders of the parent company (Euro thousand)	1,095	29,233
Weighted average number of ordinary shares to calculate the basic earnings per share	1,835,569,711	1,148,495,288
Earnings/(loss) per share from discontinued operations – in Euro	0.001	0.03

Dividends paid and proposed

In 2012 no dividends were paid and the allocation of dividends was not proposed by the Shareholders' Meeting, as reported in the table below, prepared according to IAS 1.125a and 125b:

(in Euro thousands)	**2012**	**2011**
Declared and paid in the year		
Dividends on ordinary shares	-	-
Dividends on savings shares	-	-
Proposal for approval by the Shareholders' Meeting		
Dividends on ordinary shares	-	-
Dividends on savings shares	-	-

PART D – Segment Information

In accordance with IFRS 8, segment information provides the readers of the accounts with an additional instrument for a better understanding of the financial results of the Group.
The underlying logic in the application of the standard is to provide information on the manner in which the Group results are formed, consequently providing information on the overall operations of the Group, and, specifically, on the areas where profits and risks are concentrated.

The primary reporting of the Group is by sector of activity. The companies of the Group are organised and managed separately based on the nature of their products and services, for each sector of activity which represents a strategic business unit which offers different products and services.
To identify the primary segments, the Group analysed the risk-return profile of the sectors and examined the internal reporting structure.

The **Non-Life Insurance Sector** includes the insurance categories indicated in Article 2, paragraph 3 of Legislative Decree 209/2005 (Insurance Code).

The **Life Insurance Sector** includes the insurance categories and the operations indicated in Article 2, paragraph 1 of Legislative Decree 209/2005 (Insurance Code).

The **Real Estate sector** includes the activities carried out by the real estate companies controlled by the parent company Milano Assicurazioni (Immobiliare Milano s.r.l., Sintesi Seconda s.r.l., Campo Carlo Magno S.p.A.) and by the Athens Real Estate Fund.

The **Other Activities** sector, of a residual nature, includes the activities of Sogeint which operates in the sector of providing commercial assistance to agencies.

This section shows the balance sheet and income statement by sector, prepared in accordance with the formats approved by Isvap Regulation No. 7 of July 13, 2007. Comments and further information on the individual segments are included in the first part of the present report, to which reference should be made.

CONSOLIDATED FINANCIAL STATEMENTS AT DEECEMBER 31, 2012

In Euro thousands

Balance sheet by segment

		Non-Life Sector		Life Sector	
		2012	2011	2012	2011
1	**INTANGIBLE ASSETS**	**209,157**	**216,843**	**25,346**	**25,328**
2	**PROPERTY, PLANT & EQUIPMENT**	**3,371**	**3,664**	**20**	**19**
3	**REINSURANCE ASSETS**	**270,380**	**247,280**	**69,774**	**81,651**
4	**INVESTMENTS**	**4,476,790**	**4,389,254**	**3,695,143**	**3,610,055**
4.1	Investment property	353,735	594,782		
4.2	Investments in subsidiaries, associates and joint ventures	104,232	95,288	2,087	1,842
4.3	Investments held to maturity			185,360	128,927
4.4	Loans and receivables	281,690	275,196	599,644	609,955
4.5	AFS Financial assets	3,734,520	3,411,436	2,745,573	2,655,779
4.6	Financial assets at fair value through profit or loss	2,613	12,552	162,479	213,552
5	**OTHER RECEIVABLES**	**883,039**	**862,555**	**80,659**	**89,562**
6	**OTHER ASSETS**	**361,610**	**404,089**	**75,643**	**119,258**
6.1	Deferred acquisition costs	2,512		11,378	10,741
6.2	Other assets	359,098	404,089	64,265	108,517
7	**CASH AND CASH EQUIVALENTS**	**206,093**	**402,926**	**58,496**	**57,318**
	TOTAL ASSETS	**6,410,440**	**6,526,611**	**4,005,081**	**3,983,191**
1	**SHAREHOLDERS' EQUITY**	[redacted]			
2	**PROVISIONS**	**82,694**	**107,112**	**6,342**	**9,658**
3	**INSURANCE CONTRACT LIABILITIES**	**5,496,812**	**5,530,275**	**3,377,701**	**3,541,924**
4	**FINANCIAL LIABILITIES**	**158,941**	**174,822**	**168,464**	**182,393**
4.1	Financial liabilities at fair value through profit or loss	10,421	6,591	62,089	64,060
4.2	Other financial liabilities	148,520	168,231	106,375	118,333
5	**PAYABLES**	**277,939**	**258,812**	**27,576**	**26,498**
6	**OTHER LIABILITIES**	**144,300**	**152,092**	**42,042**	**50,737**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	[redacted]			

Real Estate Sector		Other		Inter-segment Eliminations		Total	
2012	2011	2012	2011	2012	2011	2012	2011
272	318					234,775	242,489
35,554	48,574	64	93			39,009	52,350
						340,154	328,931
312,740	365,836			-9,261	-9,261	8,475,412	8,355,884
268,714	325,172			-9,261	-9,261	613,188	910,693
5,645	3,286					111,964	100,416
						185,360	128,927
10,188	20,387					891,522	905,538
28,193	16,991					6,508,286	6,084,206
						165,092	226,104
13,825	9,732	300	3,093	-2,788	-5,670	975,035	959,272
5,946	49,610	1,640	92	-22,914	-14,927	421,925	558,122
						13,890	10,741
5,946	49,610	1,640	92	-22,914	-14,927	408,035	547,381
51,001	7,735	4,709	2,825			320,299	470,804
419,338	481,805	6,713	6,103	-34,963	-29,858	10,806,609	10,967,852
[redacted]						1,039,231	929,537
2,800	2,800	265	300			92,101	119,870
						8,874,513	9,072,199
	12,982					327,405	370,197
	207					72,510	70,858
	12,775					254,895	299,339
3,624	5,339	6,171	5,530	-2,788	-5,670	312,522	290,509
467	698	120	118	-26,092	-18,105	160,837	185,540
[redacted]						10,806,609	10,967,852

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

Segment Income Statement

		Non-Life Sector		Life Sector	
		2012	2011	2012	2011
1.1	Net premiums	2,706,266	2,895,471	367,801	384,043
1.1.1	*Gross premiums written*	2,826,968	3,024,173	378,564	396,951
1.1.2	*Premiums ceded to re-insurers*	-120,702	-128,702	-10,763	-12,908
1.2	Commission income		0	783	851
1.3	Income/charges from financial instruments at fair value through profit or loss	-577	-16,282	13,521	542
1.4	Income from investments in subsidiaries, associates and joint ventures	579	362		
1.5	Income from other financial instruments and property investments	196,849	154,380	172,649	205,860
1.6	Other revenues	154,735	158,702	7,375	6,758
1	**TOTAL REVENUES AND INCOME**	**3,057,852**	**3,192,633**	**562,129**	**598,054**
2.1	Net charges relating to claims	-2,231,807	-2,616,409	-437,957	-446,356
2.1.1	*Amounts paid and changes in insurance contract liabilities*	-2,328,832	-2,668,257	-445,066	-455,500
2.1.2	*Reinsurers' share*	97,025	51,848	7,109	9,144
2.2	Commission expenses			-121	-233
2.3	Charges from investments in subsidiaries, associates and joint ventures	-22,658	-13,688	-88	-331
2.4	Charges from other financial instruments and property investments	-144,708	-245,444	-58,104	-90,645
2.5	Management expenses	-559,357	-606,949	-29,127	-25,737
2.6	Other costs	-325,662	-296,986	-23,390	-15,851
2	**TOTAL COSTS AND CHARGES**	**-3,284,192**	**-3,779,476**	**-548,787**	**-579,153**
	LOSS BEFORE TAXES	**-226,340**	**-586,843**	**13,342**	**18,901**
	INCOME TAXES				
	PROFIT/LOSS FROM DISCONTINUED OPERATIONS				
	CONSOLIDATED LOSS				
	group share				
	minority share				

Segment Income Statement "IAS 8 Restated"

		Non-Life Sector		Life Sector	
		2012	2011 IAS 8 Restated	2012	2011 IAS 8 Restated
1.1	Net premiums	2,706,266	2,895,471	367,801	384,043
1.1.1	*Gross premiums written*	2,826,968	3,024,173	378,564	396,951
1.1.2	*Premiums ceded to re-insurers*	-120,702	-128,702	-10,763	-12,908
1.2	Commission income		0	783	851
1.3	Income/charges from financial instruments at fair value through profit or loss	-577	-16,282	13,521	542
1.4	Income from investments in subsidiaries, associates and joint ventures	579	362		
1.5	Income from other financial instruments and property investments	196,849	154,380	172,649	205,860
1.6	Other revenues	154,735	158,702	7,375	6,758
1	**TOTAL REVENUES AND INCOME**	**3,057,852**	**3,192,633**	**562,129**	**598,054**
2.1	Net charges relating to claims	-2,231,807	-2,413,409	-437,957	-446,356
2.1.1	*Amounts paid and changes in insurance contract liabilities*	-2,328,832	-2,465,257	-445,066	-455,500
2.1.2	*Reinsurers' share*	97,025	51,848	7,109	9,144
2.2	Commission expenses			-121	-233
2.3	Charges from investments in subsidiaries, associates and joint ventures	-22,658	-13,688	-88	-331
2.4	Charges from other financial instruments and property investments	-144,708	-245,444	-58,104	-90,645
2.5	Management expenses	-559,357	-606,949	-29,127	-25,737
2.6	Other costs	-325,662	-296,986	-23,390	-15,851
2	**TOTAL COSTS AND CHARGES**	**-3,284,192**	**-3,576,476**	**-548,787**	**-579,153**
	LOSS BEFORE TAXES	**-226,340**	**-383,843**	**13,342**	**18,901**
	INCOME TAXES				
	PROFIT/LOSS FROM DISCONTINUED OPERATIONS				
	CONSOLIDATED LOSS				
	group share				
	minority share				

Real Estate Sector		Other		Inter-segment Eliminations		Total	
2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
0	0	0	0	0	0	3,074,067	3,279,514
						3,205,532	3,421,124
						-131,465	-141,610
						783	851
-1,744	613					11,200	-15,127
15	26					594	388
14,746	12,081					384,244	372,321
2,188	10,340	8,470	11,071	-4,179	-6,773	168,589	180,098
15,205	**23,060**	**8,470**	**11,071**	**-4,179**	**-6,773**	**3,639,477**	**3,818,045**
0	0	0	0	0	0	-2,669,764	-3,062,765
						-2,773,898	-3,123,757
						104,134	60,992
						-121	-233
-700	-3,530					-23,446	-17,549
-64,297	-56,672					-267,109	-392,761
						-588,484	-632,686
-17,909	-19,883	-8,405	-10,732	4,179	6,773	-371,187	-336,679
-82,906	**-80,085**	**-8,405**	**-10,732**	**4,179**	**6,773**	**-3,920,111**	**-4,442,673**
-67,701	**-57,025**	**65**	**339**	**0**	**0**	**-280,634**	**-624,628**
						63,310	106,170
						1,156	30,851
						-216,168	**-487,607**
						-216,047	-487,479
						-121	-128

Real Estate Sector		Other		Inter-segment Eliminations		Total	
2012	**2011 IAS 8 Restated**	**2012**	**2011 IAS 8 Restated**	**2012**	**2011 IAS 8 Restated**	**2012**	**2011 IAS 8 Restated**
0	0	0	0	0	0	3,074,067	3,279,514
						3,205,532	3,421,124
						-131,465	-141,610
						783	851
-1,744	613					11,200	-15,127
15	26					594	388
14,746	12,081					384,244	372,321
2,188	10,340	8,470	11,071	-4,179	-6,773	168,589	180,098
15,205	**23,060**	**8,470**	**11,071**	**-4,179**	**-6,773**	**3,639,477**	**3,818,045**
0	0	0	0	0	0	-2,669,764	-2,859,765
						-2,773,898	-2,920,757
						104,134	60,992
						-121	-233
-700	-3,530					-23,446	-17,549
-64,297	-56,672					-267,109	-392,761
						-588,484	-632,686
-17,909	-19,883	-8,405	-10,732	4,179	6,773	-371,187	-336,679
-82,906	**-80,085**	**-8,405**	**-10,732**	**4,179**	**6,773**	**-3,920,111**	**-4,239,673**
-67,701	**-57,025**	**65**	**339**	**0**	**0**	**-280,634**	**-421,628**
						63,310	36,170
						1,156	30,851
						-216,168	**-354,607**
						-216,047	-354,479
						-121	-128

PART E – Financial risk management

1.1 The government risk

For the Group, the Risk Management structure and process is within the wider internal control system based on the following levels:

- line controls ensuring that operations are carried out correctly (level 1 controls);
- risk management controls aimed to measure risks and to identify strategies to manage them (level 2 controls);
- internal audit controls aimed to provide independent evaluation of the overall risk control and risk management system to improve organisational efficiencies (Level 3 controls).

The risk management system involves the following key players, carrying out different functions based on the positions held, expertise and information available:

- Board of Directors;
- Control and Risks Committee;
- Chief Executive Officer and Senior Management;
- Risk Management Department;
- Compliance Department;
- Audit Department;
- Business and Process Owners Departments.

The Board of Directors have the ultimate responsibility for the internal control system which must ensure completeness, functionality and efficiency.
The Control and Risks Committee assists the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and undertakes a consultative role.

The Chief Executive Officer and senior management oversee the implementation, updating and monitoring of the internal control and risk management system, in accordance with the directives of the Board of Directors.

The Risk Management Department undertakes, together with the other parties involved in the risk management system, the definition and creation of a management system for all risk-related activities, through the development and maintenance of the risk measurement strategies, methods and tools. In particular, the Risk Management department is responsible for the following:

- managing the development and complete of Risk Capital models functional to the implementation of an efficient and effective Enterprise Risk Management system;
- undertaking regular monitoring of the risks through the reporting indicators;
- contribute to the definition of the tolerance thresholds and operating limits and draw up the procedures for the prompt verification of these limits;
- preparing reports for the Board of Directors, the Control and Risks Committee, Senior Management and operational managers in relation to risks and the breaches of fixed operating limits;
- defining, together with the other departments involved, the actions to mitigate the risk where the fixed operating limits have been exceeded;
- carrying out stress tests to assess the economic and financial impact of adverse trends in the principal risk factors.

MILANO ASSICURAZIONI has appointed a person-in-charge of the Risk Management department, as is the case for the Compliance and Audit departments, in order to enable direct internal control of the area for the protection against specific problem issues and to support the needs of Milano Assicurazioni and its subsidiaries, except for the outsourcing to the parent company FONDIARIA-SAI of some activities relating to the departments.

The Risk Management, Compliance and Audit departments are independent from the operating structures and report functionally and hierarchically to the Board of Directors.

The risk management system involves specifically created committees which contribute to strengthen and integrate the risk management system and play a critical role for the Board of Directors to make the most informed decisions.

1.2 The Risk Map

The risks considered in the Model adopted are set out in the Risk Map, shown below, which breaks down each risk by segment of activity. In addition to the assessment of maximum potential loss, the approach adopted in the monitoring of total exposure also considers risks which according to a cause and effect, may emerge as a consequence of other risks, although not always generating a directly measurable economic impact.

These risks, called “Second level risks” are:
- Reputational Risk, i.e. risk related to the deterioration of the corporate image and the increase in conflict with policyholders, also due to the low quality of the products offered, the placing of unsuitable policies or the conduct of sales networks;
- Risks related to belonging to a group or “infection” risk, refers to the risk which arises due to the interlinked nature of the other companies of the group, a situation of difficulty if an entity of the same group has solvency issues; risks of conflict of interests.

Alongside these types of Risks, particular attention must be paid to Strategic Risk, i.e. the current or future risk of a drop in profits or of capital deriving from a change in the operating context or from bad corporate decisions, inadequate implementation decisions or a failure to react swiftly to changes in the competitive environment.

The Risk Map, of Level I and II, is the basis for the Risk Management activity. This structure however is not a static fixed element within the Model, in that the approach adopted must take into account not only all current risks, but also possible future risks, to anticipate any possible threats arising from the context in which the Group operates.

	Ramo Danni	Ramo Vita	Immobiliare	Altro
Rischi Finanziari				
Rischio di Mercato	✓	✓	✓	✓
Rischio di Credito	✓	✓	✓	✓
Rischio di Liquidità	✓	✓	✓	✓
Rischi Tecnici Vita				
Longevità		✓		
Mortalità		✓		
Disabilità		✓		
Spese		✓		
Riscatto		✓		
Catastrofale		✓		
Rischi Tecnici Danni				
Riservazione	✓			
Premio	✓			
Catastrofale	✓			
Rischi Operativi e altri Rischi				
Rischi Operativi	✓	✓	✓	✓
Rischio di non conformità alle norme	✓	✓	✓	✓
Rischio Reputazionale	✓	✓	✓	✓
Rischio legato all'appartenenza al Gruppo o "di contagio"	✓	✓	✓	✓
Rischio Strategico	✓	✓	✓	✓

The assessment of the above-mentioned quantifiable risks is determined using an ALM approach through the internal model utilising best practice procedures.
ALM estimate entails the shock analysis for the risk variables on both asset and liability accounts in the financial statements.
This phenomenon is significant for financial variables and in particular for interest rate risk. A shock of this size impacts significantly on all interest rate sensitive bond securities and on the value of the Life actuarial provisions and Non-Life claims provisions, due to the discounting of the cash flows.
The financial risk assessment described below do not take into account the ALM approach. The compensation principle defined by this method is principally applied using a "Total Balance Sheet" approach defined by Solvency II.
Accounting standards marginally allow the adoption of this technique, and for clarity no calculations were inconsistent with the criteria of the accounting principles used for the preparation of the financial statements.
Technical risks are assessed through internal models and the models proposed by the standard QIS5 formula. The most significant component is the 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 recent trend, if confirmed over the long-term, may create concerns on the financial variables.

2 Information on Operational Risks

2.1 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 approved the Investment Policy document.

The policy adopted aims to guarantee:

- Application of general prudence criteria and enhancement of the asset quality over the medium to long-term period;
- Valuation of yields which take adequate account of the market, credit concentration and liquidity risks;
- Evaluation of factors other than risks;
- Asset allocation objective which reflects adequately both the life of the liability and the economic margins established in the Group budget and, for the investments against the life insurance provisions, the minimum guaranteed returns to policyholders.

The structure of the limits extends to the main asset classes comprising the investments and the limits are defined in terms of:

- Asset Allocation limit;
- Concentration limits;
- Limits in terms of liquidity of assets;
- Market and ALM risk limits.

The portfolio structure of the assets in the Life sector is in line with the structure of the liabilities, in which the securities cover the liabilities. For the Non-Life Division, the assets are selected also in consideration of the foreseeable development of the settlement of claims in relation to the relevant provisions.

2.2 Market Risk

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

The Group monitoring system provides for assessment of the economic impact of these variables through VaR measures which permit:

- uniform risk measures which allow comparison of different instruments;
- position limits to be determined;
- "risk-adjusted" measures to be created.

In particular, the measures adopted are:

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

The analysis of the VaR and the Risk Capital of the equity and bond portfolio as of December 31, 2012 calculated at a confidence level of 99.5% is shown below.

Analysis of the values and of the Value at Risk 31/12/2012

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total Listed shares	3.27	9.54	0.04	9.58
Total Derivatives	-0.01	N/A	0.00	N/A
Net Equity exposure	3.26	6.64	0.04	6.68
Total Securities	87.65	0.59	0.01	0.61
Total Unlisted shares	3.73	8.34	0.08	8.41
Total	94.64	1.11	0.01	1.12
Other Assets	5.36	0.60	0.02	0.62
Total	100.00	1.08	0.01	1.10

Analysis of the values and of the Value at Risk 31/12/2011

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total Listed shares	6.80	10.59	0.18	10.76
Total Derivatives	0.12	N/A	0.00	N/A
Net Equity exposure	6.92	7.34	0.17	7.51
Total Securities	84.13	0.99	0.04	1.04
Total Unlisted shares	4.95	6.97	0.07	7.03
Total	96.00	1.76	0.05	1.81
Other Assets	4.00	1.01	0.03	1.03
Total	100.00	1.73	0.05	1.78

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.

Analysis of the values and Risk Capital 31/12/2012

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total Listed shares	3.27	33.30	0.18	33.49
Total Derivatives	-0.01	N/A	0.00	N/A
Net Equity exposure	3.26	30.33	0.18	30.52
Total Securities	87.65	2.42	0.05	2.48
Total Unlisted shares	3.73	32.97	0.35	33.32
Total	94.64	4.59	0.07	4.66
Other Assets	5.36	2.44	0.08	2.52
Total	100.00	4.47	0.07	4.54

Analysis of the values and Risk Capital 31/12/2011

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total Listed shares	6.80	38.30	0.81	39.11
Total Derivatives	0.12	N/A	0.00	N/A
Net Equity exposure	6.92	30.26	0.80	31.06
Total Securities	84.13	4.54	0.19	4.73
Total Unlisted shares	4.95	28.36	0.31	28.66
Total	96.00	7.62	0.24	7.86
Other Assets	4.00	4.60	0.14	4.74
Total	100.00	7.50	0.24	7.74

Notes:

- 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.

2.2.1 Interest rate risk

In relation to the interest rate risk i.e. “the risk of unexpected loss deriving from an adverse movement in interest rates”, the exposure of the Group principally regards debt securities and in particular long-term maturity. In order to limit this risk, the Group utilises a mixture of fixed income and variable rate securities. ALM aims to maintain a balance between the duration of assets and liabilities.
Through the use of stochastic models, in addition to the VaR estimate, stress tests are also undertaken utilising extreme interest rate scenario. The table below reports a sensitivity analysis of the value of the bond portfolio corresponding to an increase and a decrease in the interest rates of 50 bp.

Sensitivity analysis of the bond component

	+50bp		-50bp	
(€ milioni)	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Totale	**-146**	**-108**	**154**	**120**
di cui Danni	-69	-29	72	31
di cui Vita	-77	-78	82	89

Notes:
- The Held To Maturity and Loans and Receivables categories are not included
- Sensitivity relating solely to financial assets and not ALM.

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.

Analysis of the bond component by VaR and Risk Capital maturity

Type	Composition % (Exact holding)	Duration Macaulay	Sensitivity Rate %	VaR Rate %	Risk Capital Rate %
Government Euro	**87.22**	**4.72**	**-3.30**	**0.60**	**2.49**
Variable Rate	***16.71***	***0.68***	***-0.61***	***0.09***	***0.38***
Fixed Rate	***70.50***	***5.61***	***-3.89***	***0.73***	***2.99***
0,0< <=1,5	10.12	0.70	-0.67	0.10	0.06
1,5< <=3,0	12.53	2.09	-1.90	0.31	0.86
3,0< <=5,5	12.42	4.05	-3.36	0.59	2.29
5,5< <=7	8.75	5.45	-4.23	0.80	3.32
>7	26.68	9.08	-5.72	1.20	5.31
Corporate Euro	**11.75**	**3.56**	**-2.79**	**0.49**	**1.82**
Variable Rate	***0.12***	***0.33***	***-0.31***	***0.04***	***0.20***
Fixed Rate	***11.62***	***3.60***	***-2.82***	***0.49***	***1.84***
0,0< <=1,5	3.32	0.83	-0.79	0.12	0.10
1,5< <=3,0	2.07	1.99	-1.81	0.29	0.77
3,0< <=5,5	3.83	4.09	-3.36	0.60	2.33
5,5< <=7	0.69	5.57	-4.30	0.77	3.21
>7	1.71	7.85	-5.38	1.10	4.83
Euro Bond Funds	**0.63**	**3.00**	**-2.63**	**0.42**	**1.45**
Fixed Rate	***0.63***	***3.00***	***-2.63***	***0.42***	***1.45***
1,5< <=3,0	0.63	3.00	-2.63	0.42	1.45
Government Non Euro	**0.25**	**5.01**	**-3.64**	**0.17**	**1.35**
Fixed Rate	***0.25***	***5.01***	***-3.64***	***0.17***	***1.35***
1,5< <=3,0	0.08	2.10	-1.98	0.06	0.30
3,0< <=5,5	0.07	3.02	-2.63	0.15	1.01
>7	0.10	8.92	-5.79	0.28	2.43
Corporate Non Euro	**0.16**	**0.60**	**-0.56**	**0.02**	**0.06**
Fixed Rate	***0.16***	***0.60***	***-0.56***	***0.02***	***0.06***
0,0< <=1,5	0.14	0.31	-0.30	0.02	0.01
3,0< <=5,5	0.01	3.57	-3.21	0.09	0.61
Total Bonds	**99.37**	**4.59**	**-3.24**	**0.59**	**2.40**
Total	**100.00**	**4.58**	**-3.24**	**0.59**	**2.39**

Notes:

- 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.

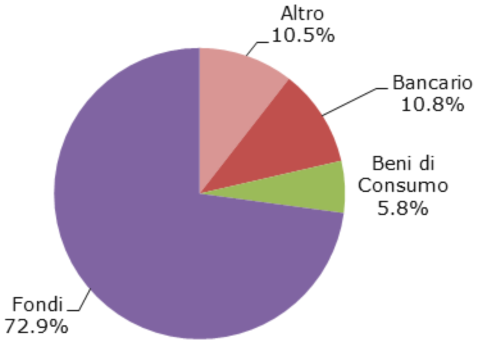
2.2.2 Equity risk, exchange risk and real estate risk

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

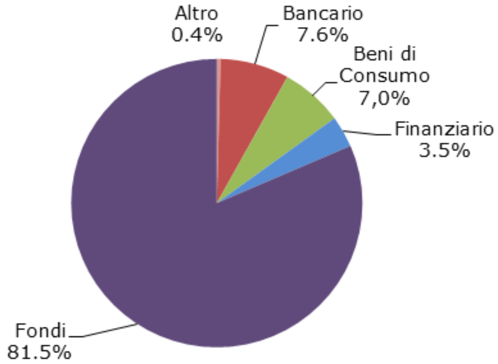
The valuation of the assets utilises the volatility of the underlying and associated benchmarks. The volatility recorded on the basis of the above-mentioned criteria is then used as input for the calculation of the VaR and Risk Capital.

The graphs below show the breakdown of the equity portfolio by sector.

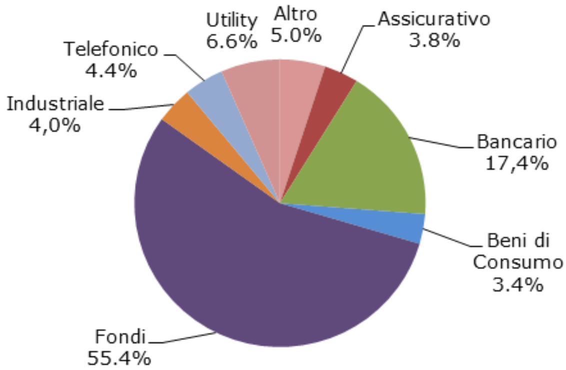
Composition equity portfolio of the Milano Assicurazioni Group



Milano Assicurazioni Group Non-Life



Milano Assicurazioni Group Life



1

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.

Sensitivity analysis of the listed equity portfolio

(€ milioni)	31/12/2012	31/12/2011
Totale	**-22**	**-35**
di cui Danni	-7	-19
di cui Vita	-15	-16

Notes:

- Sensitivity relating solely to financial assets and not ALM.

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.

VaR analysis relating to the equity portfolio and currency at 31/12/2012

Type	Currency	Composition % (Exact Holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Shares	US Dollar	0.01	4.84	4.36	9.20
	Euro	3.22	9.47	0.00	9.47
	Swiss Franc	0.03	14.17	0.84	15.01
	UK Sterling	0.02	16.97	2.96	19.93
	Total Listed shares	**3.27**	**9.54**	**0.04**	**9.58**
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	**3.26**	**6.64**	**0.04**	**6.68**
Bond funds	Euro	0.56	0.42	0.00	0.42
Bonds	US Dollar	0.19	0.14	4.40	4.54
	Euro	86.74	0.60	0.00	0.60
	Swiss Franc	0.17	0.09	0.86	0.95
	Total Bond Funds	**87.65**	**0.59**	**0.01**	**0.61**
Shares	US Dollar	0.06	6.08	4.36	10.44
	Euro	3.66	8.38	0.00	8.38
	Total Unlisted shares	**3.73**	**8.34**	**0.08**	**8.41**
	Total	**94.64**	**1.11**	**0.01**	**1.12**
	US Dollar	0.02	0.59	4.37	4.96
	Euro	5.34	0.60	0.00	0.60
	Other Assets	**5.36**	**0.60**	**0.02**	**0.62**
	Total	**100.00**	**1.08**	**0.01**	**1.10**

Notes:

- 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.

Analysis of the Risk Capital relating to the equity portfolio and currency 31/12/2012

Type	Currency	Composition % (Exact holding)	Risk Capital Risk Price %	Risk Capital Exchange %	Risk Capital Total %
Shares	US Dollar	0.01	22.34	20.35	42.68
	Euro	3.22	33.00	0.00	33.00
	Swiss Franc	0.03	54.56	4.16	58.72
	UK Sterling	0.02	59.41	14.10	73.51
	Total Listed shares	**3.27**	**33.30**	**0.18**	**33.49**
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	**3.26**	**30.33**	**0.18**	**30.52**
Bond Funds	Euro	0.56	1.45	0.00	1.45
Bonds	US Dollar	0.19	1.10	20.55	21.65
	Euro	86.74	2.44	0.00	2.44
	Swiss Franc	0.17	0.61	4.22	4.83
	Total Bond Funds	**87.65**	**2.42**	**0.05**	**2.48**
Shares	US Dollar	0.06	27.47	20.35	47.82
	Euro	3.66	33.06	0.00	33.06
	Total Unlisted shares	**3.73**	**32.97**	**0.35**	**33.32**
	Total	**94.64**	**4.59**	**0.07**	**4.66**
	US Dollar	0.02	2.41	20.42	22.83
	Euro	5.34	2.44	0.00	2.44
	Other Assets	**5.36**	**2.44**	**0.08**	**2.52**
	Total	**100**	**4.47**	**0.07**	**4.54**

Notes:

- 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, or rather the risk related to the unexpected depreciation of the value of property, the valuation is made based on the type of investment. 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.

2.3 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.

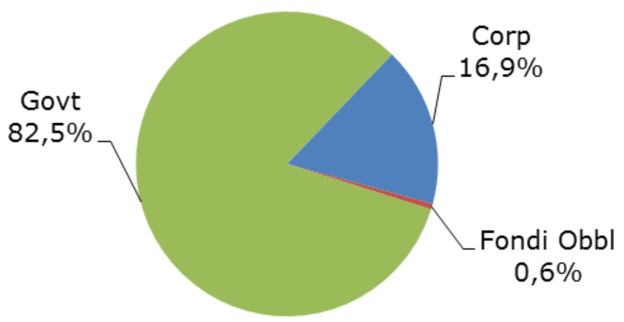
The internal model utilises two models to determine the spread risk.

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 Group's exposure to the credit risk is periodically monitored.

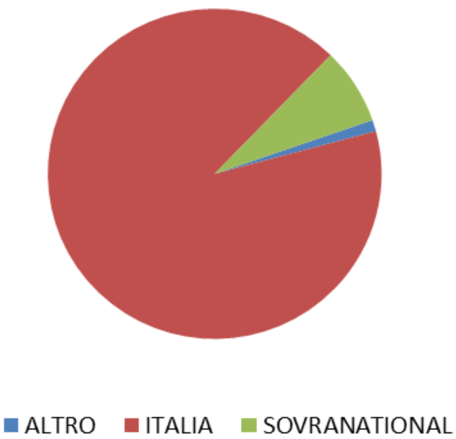
In relation to the control of overall exposition to credit risk, specific resolutions of the Board of Directors have set fixed limits in terms of concentration for reinsurers and rating classes.

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

Composition of the Bond portfolio

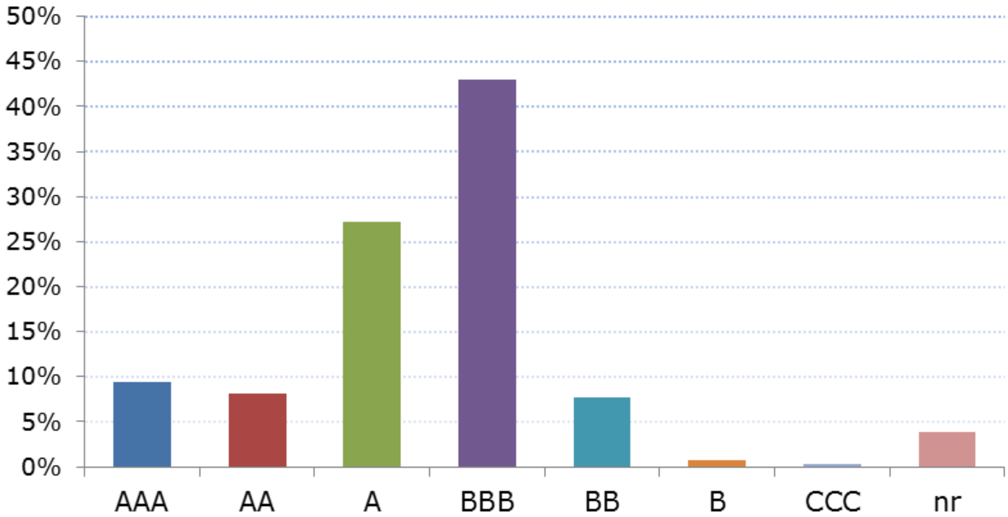


Government bond portfolio by country

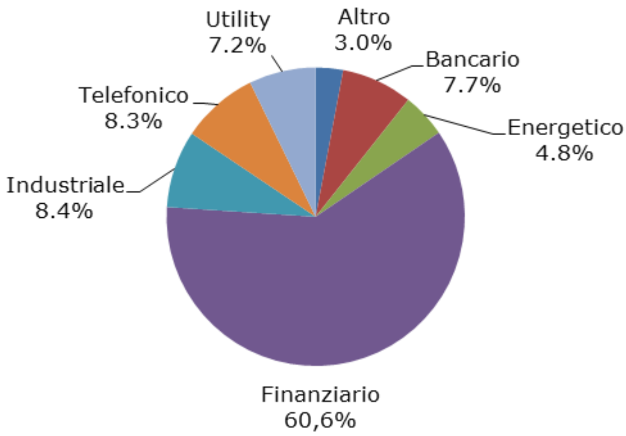


Paese Emittente	Quota (%)
Austria	0,03%
Canada	0,06%
Francia	0,09%
Germania	0,29%
Irlanda	0,05%
Italia	91,40%
Messico	0,04%
Portogallo	0,02%
Sovranational	7,50%
Spagna	0,37%
Stati Uniti d'America	0,07%
Svizzera	0,10%

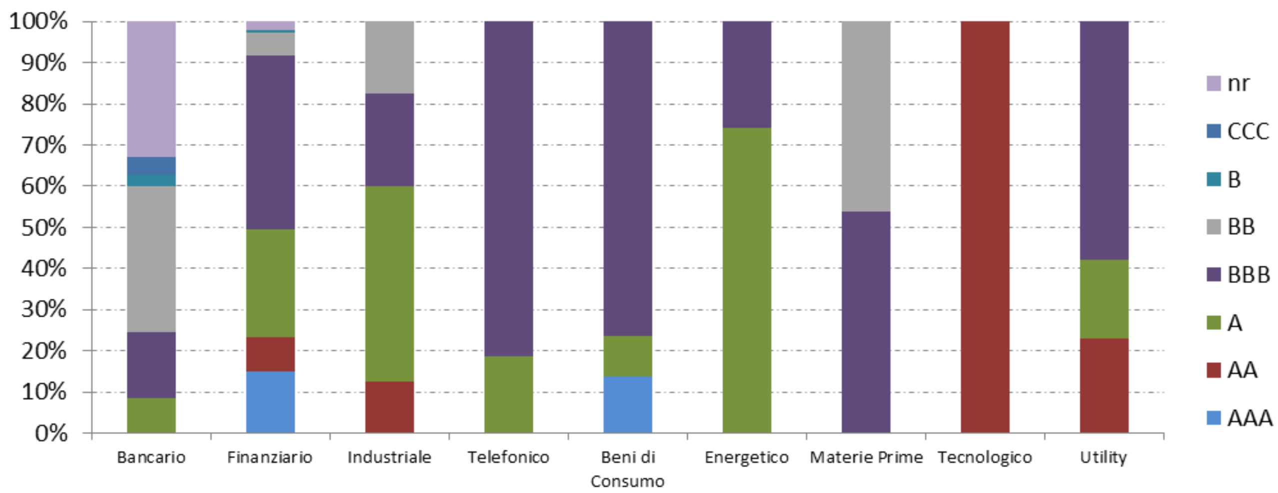
Corporate bond portfolio by Standard & Poor's rating



Composition of corporate bonds by segment



Corporate bond portfolio by sector and rating



2.4 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".

The Group for the management of liquidity 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

In relation to commitments, based on the investment Policy, the limits and conditions concerning the liquidity of assets were defined.

3 Information on Operational Risks

3.1 The Framework of Operational Risk Management

The operating risk concerns the *"risk of loss deriving from inefficiencies of staff, processes and systems, including those utilised for distance selling, or external events, such as fraud and the activities of supplier 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.

In undertaking its activities, the Risk Management department on the basis of the Group model, works with the Risk and Control Manager (RRC), who report 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.

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

3.2 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 impose that currently applied by the Fondiaria-SAI Group 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.

The Solvency II convergence project

The Solvency II Directive was published in the Official Gazette of the European Union on December 17, 2009. On March 21, 2012, the Economic and Monetary Affairs Commission of the European Parliament approved the report prepared by Burkhard Balz on the “Omnibus II” Directive proposal. The negotiations between the three major European institutions (The Commission, the Parliament and the European Council of Ministers) therefore began based on the respective approved documents. In October 2012, the legislative process for the approval of the Omnibus Directive stalled. The debate concerning the approval will be restarted once the outcome of the impact assessment on long term guarantees is reviewed, a study which will begin on January 28, 2013 and will conclude at the end of March with the publication of results in June 2013.

On December 20, 2012 the EIOPA published an opinion on the manner for implementation of Solvency II at a national level. The EIOPA requested the National Supervisory Authorities to put in place a series of measures to guarantee the entry into force of a number of fundamental aspects of the Regulation (Governance System, Risk Management System, ORSA, pre-application of the internal model), from January 1, 2014.

With specific regard to the Solvency II compliance project, all activities necessary to standardise the internal model to the methodologies established by the new enlarged Group headed by the parent company Unipol Gruppo Finanziario (UGF) will be carried out.

Analysis by maturity for the insurance and financial liabilities

The table below summarises the insurance and financial liabilities of the group by maturity.

The direct business non-life technical provisions comprise the premium provision (Euro 1,052.1 million), the claims provision (Euro 4,424.9 million) and the other technical provision (Euro 2.5 million), represented by the age provision of the health class.

The table which summarises the liabilities of the life segment includes insurance liabilities of Euro 3,369.7 million and financial liabilities of Euro 56.4 million. In particular, the insurance liabilities includes the actuarial provisions for Euro 3,210.1 million and technical provisions with investment risk borne by the policyholders of Euro 98.6 million and provision for sums to be paid of Euro 43.5 million. The financial liabilities relate to the insurance policies which, not containing a significant insurance risk, represent financial contracts and are not within the application of IFRS No. 4.

The other financial liabilities are composed of the reinsurance deposits (Euro 103 million) and the subordinated liabilities (Euro 151.9 million).

Non-Life insurance contract liabilities

(amounts in Euro millions)

Up to 1 year	2,471.1
Between 1 and 5 years	2,371.3
From 6 to 10 years	513.0
Over 10 years	124.1
TOTAL	**5,479.5**

Life insurance contract liabilities and financial liabilities relating to investment contracts

(amounts in Euro millions)

Up to 1 year	387.5
Between 1 and 5 years	1,465.6
From 6 to 10 years	1,004.8
Over 10 years	568.2
TOTAL	**3,426.1**

Other financial liabilities

(amounts in Euro millions)

Up to 1 year	103.0
Between 1 and 5 years	-
From 6 to 10 years	101.3
Over 10 years	50.6
TOTAL	**254.9**

Derivative financial instruments

The Group makes a limited use of derivative financial instruments. In fact the characteristics and the nature of the insurance activity require, as a consequence, that the utilisation of derivative financial instruments are regulated in accordance with ISVAP Regulation No. 36/2011.

At December 31, 2012 the following derivative financial operations remain open, all hedging investments held in portfolio or interest rate risks in relation to the subordinated loans:
- nominal contract of Euro 50 million of an Interest Rate Swap with the counterparty HVB expiring on July 14, 2016. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 3.18% and receives the Euribor rate at 6 months;
- nominal contract of Euro 100 million of an Interest Rate Swap with the counterparty Mediobanca expiring on July 14, 2018. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 2.35% and receives the Euribor rate at 6 months;
- combined options (put purchase – call sell) on 6,459,144 Unicredit shares, with average strike price of Euro 3.588. At December 31, 2012, these options were subject to net adjustments of Euro 1.4 million.

These operations were undertaken in accordance with the Board of Directors' resolution of May 14, 2011 concerning investments and utilising control and monitoring instruments, including preventive instruments, existing within the organisation which track the operations carried out in terms of the decided strategy, the efficiency of the hedging operations and the respecting of the limits assumed. For each hedging operation, the relative "Hedging Relationship Documentation" was prepared in accordance with the above-mentioned resolution and also in compliance with international accounting standards.

The principal derivative finance operations closed in the year related to:

- advance closure or the exercise of combined put/call options on Generali shares which, overall, resulted in a positive impact to the income statement of Euro 5,592 thousand. Following the exercise of the options, the entire holding in Generali was sold on the market, resulting in a gain of Euro 8,482 thousand;
- advance closure of 4,045,817 combined put/call options on Unicredit shares which, taking into account an average strike price of Euro 6.6366, resulted in a gain realised of Euro 8,495 thousand.
- advance closure of 985,000 combined put/call options on Mediobanca shares which, taking into account an average strike price of Euro 4.8135, resulted in a gain realised of Euro 1,451 thousand.
- advance closure of 14,462,040 combined put/call options on Banca Popolare di Milano shares which, taking into account an average strike price of Euro 0.307, resulted in net losses of Euro 1.2 million.

The Group does not have derivative contracts on currencies as the exposure to exchange risk is immaterial.

PART F – Amounts, timing and level of uncertainty in cash flows relating to insurance contracts

The following information is required by paragraphs 38 and 39 of IFRS 4.

NON-LIFE INSURANCE SECTOR

Introduction

The objective of this sector, in line with the strategies of the group, is the development of the portfolio in all the non-life classes in a balanced and technically profitable manner.
In particular, the risk elements in the management of the non-life sector relates to the subscription risk (insufficient premiums to cover claims and expenses) and the reserve risk (insufficient claims reserves to meet commitments assumed with policyholders).

The underwriting method of the risk differs from sector to sector, depending on the mass of risks, corporate risks and special risks. The mass risks, such as those of the Motor TPL, Land Vehicles and all those relating to the person (Injury and Health), households (Homes and Civil Responsibilities) and small businesses (commerce, self employed) represent approx. 90% of the total premiums underwritten. These risks are covered with standard conditions which are determined by the central technical offices of the Group in accordance with existing regulations, insurance Market experience and specific experience of the Group.

Motor TPL

In the Motor TPL class, the important mass of the statistical data held permits a sophisticated "personalised" tariff elaboration which takes into account a large number of risk factors both subjective and objective, with particular attention on the amendments introduced by direct indemnity based on the characteristics of the insured vehicle.
The tariffs are monitored monthly and periodically reviewed. The portfolio is also subject to continual examination in order to identify any abnormal situations, at geographical level and for the remaining risk factors in order to also permit corrective interventions in a timely manner against any modifications of the technical trends.
Similar attention is given for the most loyal Customers through incentive initiatives not only at existing contract levels, but also, with initiatives focused on the acquisition of new niche markets.

Land vehicles

In the Land Vehicle sector, the tariffs are established, in the case of the Fire and Theft guarantees, based on the geographical location, the type of vehicle insured, in addition to the guarantees provided. The TPL guarantee is on the other hand a tariff based on the Bonus Malus class together with the age of the owner and the age of the vehicle insured. The customer can also choose between different insurance levels which allows for a significant difference in the price of the various guarantees.

Non Motor division

Also for the Non-Motor sectors, for the mass risks the principal underwriting and tariffs are strictly correlated to the statistical experience matured in relation to the portfolio acquired, which is sufficiently large and stable to permit the fixing of guarantees and prices suitable to the various risk types.
In particular, in the Health Class the underwriting of the risks is accompanied and subordinated to the evaluation of a medical history questionnaire which permits tariffs based on the conditions of the policyholder.

In general, for the mass risks and in any case all the risks where regulatory conditions and standard tariffs exist, the underwriting is made with adequate agency networks IT procedures and equipment. Within the standard parameters, the commercial networks may avail of a tariff flexibility which is monitored centrally. In the case in which the needs of a specific Customer require a change in the standard conditions, any concession of an exception is valued and authorised by the Technical Structure of the Group.

In relation to the corporate risks and special risks, which for their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured: the agency networks have an independent underwriting limit by value and type of risk; above these values and types, the underwriting of risks are assisted by a Technical network adequately trained case-by-case in valuing the risks and fixing the conditions.

For the more complex larger cases for both size and guarantees requested, the underwriting of the risks is reserved to the centralised specialised technical structures of the Group.

In some classes, such as bonds, transport, aviation, pecuniary losses and civil responsibility, the intervention of the specialised structure is continual and sometimes exclusive.

Bonds

With particular reference to the Bond Class, risk analysis is carried out in advance and careful selection undertaken by means of a double examination:

- from an objective viewpoint, to examine the nature and specific characteristics of the original report which resulted in the request for the surety guarantee. This has the purpose in the first place of ascribing the operations under examination to categories of risks within the class on the basis of the regulations and provisions; secondly, particular attention is given to the verification of the features of the bond contract which must always respect the principle of access with regard to the principle obligation;
- under the subjective profile, the examination consists of the valuation of the equity values as well as all the elements relating to mortality, professional capacity and solvency of the Counterparty.

Both the elements, objective and subjective, are carefully valued through the acquisition of specific financial documentation (financial statements, incorporation deeds, by-laws, Chamber of Commerce certificates, Shareholders etc.) sent by the agencies to the Technical Department of the Region or head office. This documentation is updated with appropriate commercial information through Specialised Companies and with further investigations relating to the history of the relationship with the Customer, made in the class databank, in order to verify the accumulative exposure to the parties.

The above activity aims to quantify a total “underwriting limit” with the party, requested, within precise and contained limits, by the individual technician; above these limits, the cases are presented to the internal boards of the classes, represented by the “”Credit Committee”.

The issuance of the bond policies is then made by the agencies, through an IT procedure which undertakes a preventive control of the cumulative exposure, up to but not exceeding the limits of the underwriting agreed.

Risk Management Activity in the non-life sector and coverage of the catastrophic exposures

Within the Risk Management activities, the processes adopted to optimise the control of the exposures to catastrophic risks are reported.
Particular attention is given to the risk concentrations on some classes, utilising, in accordance with the specific characteristics, appropriate calculation methods.

The Fire Class is that which, due to the greater volumes involved, requires particular and differentiated attention, especially in relation to the earthquake and flood risks; for this purpose concentration valuations are made on a geographic, seismic and also a hydrogeological basis.
The exposure concentrations by seismic area are updated during the year and subsequently re-modelled once a year principally utilising the two universal products adopted by the international markets: RMS RiskLink DLM and EQECAT WorldCAT, but analysing also that reported by a third tool, i.e. AIR II.

The results are subsequently analysed with the assistance of international operators, in order to achieve adequate reinsurance protection based on the two models utilised. Specifically, a return by catastrophic claim term was adopted of approx. 250 years.

The Land Vehicle Class is very similar to the Fire Class, and for this reason has the same reinsurance cover per event.

The Technological Risk class, thanks to the specific proportional programmes adopted, does not give rise to particular concerns, in that the risks are protected based on the year of subscription.

In the Bonds Class, the potential risk concentration following the bankruptcy of a single policyholder is protected both by a quota share reinsurance programme and a claims excess reinsurance programme, which guarantees all the acceptances made during the past years of subscription.

Finally, it is reported that the underwriting in the Injury class is protected with an ample catastrophe programme which operates together with the net retentions deriving from policies underwritten by the Life segment.

The portfolio of the Group can be considered stable, not subject to significant fluctuations such as to impact on future projections, also due to the significant size of the Motor class.

The motor products were recently reviewed in order to unify at a Group level and represent more closely the Market offer. The Motor TPL sector for its characteristics does not have particular concentrations of risk; there may be single events of particular gravity, but the size of the portfolio, geographically distributed in a uniform measure throughout the country, are such to be able to absorb such events without significant repercussions on the results.

In any event, for the events of extreme and unforeseen gravity the Group is protected by adequate reinsurance cover with primary Reinsurers.

In relation to the Land Vehicle portfolio, risk concentrations are assumed especially in the case of atmospheric events of extreme intensity or natural catastrophes (floods, earthquakes, storms or hailstorms); these concentrations are calculated on a geographical basis and are subject to common reinsurance protection with the fire class.

In the Non-Motor Non-Life Sector, the Group operates in all sectors with the sole exception of the credit class which is underwritten irregularly.

Co-insurance

As for the rest of the market, the Group utilises co-insurance - that is the division of the risks with other insurance companies, both for commercial reasons at local level and to limit exposure in the case of large risks.

Also during 2012, the maintenance of the Group policies, already realised in the previous years, confirmed the maintenance of the separation of the portfolio, with a prevalence of risks assumed in Exclusive Delegation. In fact no significant or substantial modifications were made with respect to the underwriting strategies of the previous years.

With reference to the Bond Class, also in 2012 the policy relating to the underwriting of risks On Behalf of Others is characterised by a greater selection of insurance companies offering coinsurance proposals, favouring those Companies that maintain underwriting policies similar to our Group.

Claims outlook

The second component of the insurance risk of the Non-Life Sector i.e. the provision risk, relates to the uncertainty connected to the use of the claims provision.

In accordance with the requirements of paragraph 39 of IFRS 4, information is provided below relating to claims of the Civil Responsibility classes.
The tables below are compiled from official data from forms provided to the Supervision Authority (modules 29 and attachment 1 and module 29).
Each data present on the “triangle” represents the photocopy of the cost of generation at December 31 of the year of occurrence, represented by the sum of the following components:
- cumulative claims paid from the year of occurrence at December 31 of the year of observation.
- claims provisions at December 31 of the year of observation.
- estimate of the late claims of the year of occurrence at December 31 of the year of observation.

The “Estimated final cost”, the “Payments made” and the “Reserve amount” refer to the most recent year of observation.
It is considered appropriate to represent the evolution of the claims for only the civil responsibility classes (motor and general civil responsibility) in that they are the most representative classes of the Group.

The General TPL class in particular is characterised by a slow reversal and a high number of late claims. This causes difficulty in the determination of the generation cost, especially in the first years of observation.

CLASSES 10 + 12

(in Euro thousands)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Estimated costs											
At the end of the year	1,447,032	1,549,795	1,621,784	1,622,942	1,519,300	1,464,549	1,531,847	1,466,661	1,336,874	1,079,336	
After one year	1,406,310	1,497,946	1,583,324	1,633,006	1,469,068	1,508,349	1,566,541	1,574,824	1,333,732		
After two years	1,434,169	1,491,762	1,587,367	1,696,152	1,523,742	1,594,957	1,678,906	1,703,504	-		
After three years	1,433,898	1,476,821	1,631,165	1,705,280	1,583,851	1,651,611	1,749,461	-	-		
After four years	1,457,358	1,497,619	1,660,460	1,779,810	1,628,634	1,712,914		-	-		
After five years	1,473,176	1,514,997	1,705,565	1,853,482	1,688,355	-	-	-	-		
After six years	1,498,892	1,556,300	1,749,798	1,825,574	-	-	-	-	-		
After seven years	1,513,609	1,579,971	1,755,206	-	-	-	-	-	-		
After eight years	1,532,446	1,581,522	-	-	-	-	-	-	-		
After nine years	1,550,297	-	-	-	-	-	-	-	-		
Est. final costs	**1,550,297**	**1,581,522**	**1,755,206**	**1,825,574**	**1,688,355**	**1,712,914**	**1,749,461**	**1,703,504**	**1,333,732**	**1,079,336**	**15,979,901**
Payments	**1,487,804**	**1,509,267**	**1,640,228**	**1,671,669**	**1,507,101**	**1,494,319**	**1,491,827**	**1,331,475**	**942,585**	**398,415**	**13,474,690**
Provision amounts	**62,493**	**72,255**	**114,979**	**153,905**	**181,254**	**218,594**	**257,634**	**372,029**	**391,147**	**680,921**	**2,505,211**

CLASS 13

(in Euro thousands)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Estimated costs											
At the end of the year	134,154	141,534	142,455	165,859	161,772	181,595	188,068	212,941	199,437	186,821	
After one year	127,895	141,052	149,205	160,121	164,384	165,963	184,063	212,523	185,147		
After two years	129,553	151,764	153,791	168,226	165,934	181,024	201,908	230,885	-		
After three years	133,594	155,833	154,644	169,622	172,537	198,183	214,309	-	-		
After four years	137,249	158,057	154,452	173,757	178,155	208,641	-	-	-		
After five years	139,937	154,981	158,174	184,670	183,528	-	-	-	-		
After six years	138,894	159,285	165,400	189,558	-	-	-	-	-		
After seven years	142,653	166,511	174,064	-	-	-	-	-	-		
After eight years	144,472	170,165	-	-	-	-	-	-	-		
After nine years	151,261	-	-	-	-	-	-	-	-		
Est. final costs	**151,261**	**170,165**	**174,064**	**189,558**	**183,528**	**208,641**	**214,309**	**230,885**	**185,147**	**186,821**	**1,894,379**

Payments	**114,557**	**126,387**	**113,477**	**124,361**	**110,725**	**113,422**	**95,774**	**89,260**	**56,251**	**22,160**	**966,374**
Provision amounts	**36,705**	**43,778**	**60,587**	**65,197**	**72,803**	**95,219**	**118,535**	**141,625**	**128,895**	**164,661**	**928,005**

NOTES:

- each amount of the triangle is comprised of:
  cumulated payment of the year of occurrence
  (of the year of occurrence of the year of observation)
  + reserved relating to the year of occurrence on claims reported
  in the year of occurrence
  + reserved relating to the year of occurrence on late claims
  in the year of occurrence
- the "estimated final cost" is that of the last year of observation
- "payments" is the cumulative payments in the year of occurrence in the last year of observation
- "amount to reserve" is the reserve relating to the year of occurrence in the last year of observation

The claims for which our policyholders were civilly responsible (claims not included under direct indemnity and card debtor claims), still open at December 31, 2012 and the relative percentages on the claims reported are shown in the table below:

Generation	Claims Reported	Number of claims open	% on reported claims
2004	480,823	1,166	0.2%
2005	492,676	2,002	0.4%
2006	490,697	3,244	0.7%
2007	472,985	3,611	0.8%
2008	443,317	6,415	1.4%
2009	438,514	10,723	2.4%
2010	412,406	14,523	3.5%
2011	338,743	20,612	6.1%
2012	273,429	59,325	21.7%

(total number of other delegations and expressed as share of co-insurance)

Verification of the liabilities

The premium provision for risks in course is made, in accordance with ISVAP Regulation No. 16 of March 4, 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 the premium fraction.
The valuation for the creation of the reserve is made based on an empirical calculation procedure constructed on the ratio of claims to premium for the current generation recorded in the accounts and valued also taking into account values assumed from the ratio from previous years to evaluate the reasonableness of the assumption that this ratio can be of a repetitive nature in the following year.

The ratio includes net damages for claims of the current generation including the direct and settlement expenses, both externally and internally, as well as the claims reserves at the year-end for the current generation claims, which also include the quota attributable to direct expenses and settlement expenses.
The denominator of the ratio represents the premiums for the period excluding the premiums issued from the acquisition commissions paid, in order to make the calculation based on elements (reserve premiums pro-rata in and out and premiums written) technically uniform in their content.

The procedure for the determination is as follows:
- The claims ratio to premiums in the current year is determined in accordance with the procedures indicated;
- This ratio is valued in accordance with the values assumed in the previous years and verifies the existence of objective elements which may provide significant variables in the immediate future on the value in terms of greater frequency of claims or higher average costs;
- Where this ratio is above 100%, the excess of the reserve is applied for the premium fraction as well as the premium instalments which will be made on the relative contracts.

It is also considered that the current method in the determination of the claims reserves in accordance with the last cost criteria are methodologically appropriate to represent the future cash flows in the contract portfolio in force.

LIFE INSURANCE SECTOR

In the individual policies segment, the typical risks insured by the Group are those relating to the temporary coverage for death stipulated in the "stand alone" form, through annual premium and single premium products with constant or decreasing capital, and in accessory form to other types of policies.
For the tariffs of these products, the Group uses specific tariff forms based on official ISTAT statistics related to the mortality of the Italian population, adapted on the mortality history of the portfolio of its policyholders.

The current products distributed provide for a personalisation of the cost to the insured party based on whether the policyholder declares to be a smoker or non-smoker.
The amount insured is underwritten on the basis of fixed and standard rules, the "underwriting grid". This grid is structured on the basis of a different step-up of capital insured for which there are different types of health events in accordance with the "International Guidelines" in the medical field.

There is also the application of the extra premium in the case where the professional and sporting activities undertaken by the insured and/or the health conditions are considered to increase the risk.

In addition to a certain level of capital insured, the Group also obtains information of a financial nature in order to evaluate the economic situation of the Customer.
In any case, above a certain threshold of capital insured, a health enquiry is made on the basis of standard medical documentation.
For amounts above a certain threshold, the underwriting of the risk is subject to explicit acceptance by a reinsurer.
In addition, following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums preliminarily agreed with the reinsurer.

The technical performance on the portfolio confirms the personalisation historically applied to the statistical base adopted compared to the general ISTAT base.
The longevity risk is currently marginal - typically related to the portfolio relative to annuities - due to the non significant presence of this type of contract in the portfolio.

In the Corporate policies sector, the typical risks insured by the insurer relate to the coverage conventionally called “assistance” and therefore with particular reference to the event of death and invalidity and to the risk of non self-sufficiency (LTC).
In consideration of the tariff structures utilised for this type of contract, a verification that the insurance cover is due to an objective situation - an obligation of law and company regulations - which involves an entire group in an uniform manner, is requested; therefore, all requests of insurance cover made based on the needs of single individuals in order to exclude the origin of all forms of anti selection of the risk are excluded methodologically.
This fundamental rule is supplemented by further limitations relating to the determination of the capital and amount insured.

The amount insured is underwritten based on standard variable rules (insurance grid) based on the type of counterparty and the number of individuals in the group; in any case, above a certain threshold of capital/amount insured, a health evaluation is always made based on standard medical documentation.
For amounts above a certain threshold, also in this case, the underwriting of the risk is subject to the explicit acceptance by a reinsurer.
It is recalled finally that following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums, sometimes agreed in advance with the reinsurer.
Particular attention is reserved in relation to the underwriting of cumulative risks, normally regulated through the application of a limitation clause of the amount payable by the insurer on death following a catastrophic event.
The utilisation by the insurance company of specific tariff forms - determined not only on the general mortality/invalidity experience of the Italian population, but specifically calibrated on the claims trend of the portfolio of the company - means the recurring monitoring of the trend

both within the portfolio acquired and of the individual policies considered sensitive in terms of exposure and overall capital.

The technical performance on the portfolio confirms the personalisation historically applied to the statistical base adopted compared to the general ISTAT base.
Also for this class of risks, the longevity risk is marginal and typically related to annuity portfolios, due to the almost total absence of this type of contract in portfolio.
This risk is however present in the portfolio of the company, in key projections against deferred annuity contracts on Pension Funds or on single Companies which have activated internally a specific complementary pension internally for employees.

In this area, the Group has implemented for some time a distribution policy concentrated on the creation of tariff forms which utilise the most updated base statistics and a careful evaluation of constant guaranteed financial returns monitored on the markets.
The overall evolution of the portfolio is substantially related to the policies dedicated to cover the death/invalidity risk and those with a legal basis - Employee Leaving Indemnity and complementary provisions - pension funds, thanks to the consultancy carried out by the sales network, with an increase related to the salaries.
The portfolio related to the management of the liquidity of the companies is realised through specific financial capitalisation policies of the premiums paid by the counterparty under a minimum guaranteed return contract and annual consolidation of the services.
In relation to this, particular attention is dedicated to the concentration of the commitments on the individual counterparties in order to avoid negative impacts on the company accounts in the case of advanced redemption, which generally could occur in a negative economic context for the insurer.
This element is circumvented with an internal regulation which requires on the one hand, a presence of these contracts not greater than a determined percentage of the investments of the separated management whose contracts are related and on the other hand, the application of penalties for advanced redemption and appropriate notice periods for the exercise of the redemption.

Classification of insurance contracts
The Insurance contracts as per IFRS 4 are those contracts which transfer significant insurance risks. These contracts may also transfer financial risks.
An insurance risk is considered significant if, and only if, there is a reasonable possibility that the insurance event will cause a significant change in the current value of the net cash flows of the Insurer. Investment contracts are those contracts which transfer financial risks, without significant insurance risks. Some insurance and investment contracts may contain profit participation features.
In relation to the Non-Life Insurance Sector, all policies in portfolio at December 31, 2012 were classified as insurance contracts.
In relation to the Life Insurance Sector, the principle criteria used to classify life products as insurance contracts were:

- Presence of a significant insurance risk, for the possibility that the occurrence of an insured event significantly amends the current value of the net cash flows produced by the contract; this occurs, for example, with an additional guarantee on death of the insured party. The criteria to identify the presence of a significant insurance risk are as follows:

  - over 10%, the contract is of an insurance nature;
  - under 5%, the contract is of a financial nature;
  - between 5% and 10%, specific product analysis is undertaken.

- The presence of opinions or guarantees, such as the conversion into an annuity at guaranteed rates.

Some contracts provide for discretionary participation in the profits of the Company (Discretionary Participation Feature - DPF), i.e. the right of the subscriber to receive a supplementary amount, in addition to the guaranteed minimum. The amount must satisfy set contractual conditions and represent a significant part of the total payments. Article 2b of IFRS 4 permits the measurement and recognition of DPF products as insurance products, independently of the classification based on risk consideration. All revaluable contracts, linked to the segregated fund returns, are classified as DPF products and therefore are considered as insurance contracts.
A contract classified as an insurance contract remains as such until settled; a contract initially classified as an investment contract may be subsequently classified as an insurance contract, upon verification of the conditions.
The following contractual types were classified as investment contracts and measured as such, not having DPF characteristics. The contracts belonging to this category were therefore valued according to the criteria established by IAS 39:

- Unit-linked with capital payment upon death equal to the NAV increased by an insignificant percentage
- Open pension funds

Verification of the liabilities
A LAT (Liability Adequacy Test) was carried out in order to evaluate the adequacy and the sufficiency of the provisions recorded in the local GAAP financial statements on all DPF insurance and investment contracts as per IFRS 4. The test was carried out only on the Milano Assicurazioni and Liguria Vita portfolios.
The model operates at individual policy level and tariffs in order that the LAT covers almost all the policies governed by IFRS 4. (See Attachment 1).
The results obtained in accordance with the methods described below, were proportionally extended to the entire portfolio. (See Attachments 2 and 3)
From the viewpoint of the development of the calculations, for both the traditional products and the index linked products, the model is based on the development of the future cash flows which will be generated and taking into account:

- Guarantees provided, projections on the basis of contractual conditions
- Dynamics of the portfolio relating to recurring aspects of payments, contract maturity, policyholder mortality, propensity of redemption

- Costs and revenues related to the management and settlement of the portfolio

For the determination of the technical assumptions to be utilised in the model reference was made, where possible, to the company's experience or the Italian insurance market. (See Attachment 4)
For the premium cash flows, only those polices that were paid at the valuation date were considered for each specific tariff.
The recognition of benefits and premiums on the segregated funds was carried out in accordance with the minimum guaranteed return and a return based on the GVT ITL Zero Coupon Curve at 31/12/2012. (See Attachment 5).
In the estimate of the amounts paid following the early redemption by clients of the contracts, in addition to the assumptions relating to mortality and probability of redemption (See Attachments 6 and 7), the specific contractual conditions of each tariff were considered.
In defining the assumptions of future commissions payable to the network based on the premiums collected, or where established, the assets managed, reference was made to the corresponding loading of the tariffs which reflects the amounts collected and commercial agreements in force.
The expenses relating to the management of the portfolio are projected into the future considering also inflation.
In each period the cash flow projections are discounted utilising the GVT ITL Zero Coupon rate at 31/12/2012. For contracts with specific assets, the discount rate was taken from the effective return of the securities to cover the provisions, taking into account the credit risk related to the individual securities in the basket.
According to Article 18 of IFRS 4, the level of aggregation with which the test must be carried out must group portfolios subject to similar risks and collectively managed; therefore each segregated fund was tested separately. Specific regrouping was then undertaken for the index-link portfolios and for those with specific assets.

Guarantee return provision
With reference to the commitments underwritten with the policyholders, the breakdown of the provisions shows approx. 58.0% (Euro 1,851.5 million) relate to policies with guaranteed returns between 1% and 3%, while approx. 31.4% (Euro 1,001.8 million) relate to policies with guaranteed return between 3% and 4%. The provisions relating to contracts with interest rate guarantee on maturity amounted to Euro 188.7 million. The provisions related to specific assets amount to Euro 150.6 million.

Insurance provisions of the life segment: guarantee return (*)

(Euro millions)	Milano Ass.ni	Liguria Vita	Tot. Group
Provision with guaranteed annual interest rate	2,853.3	96.9	2,950.2
of which:			
from 0% to 1%	-	-	-
between 1% and 3%	1,851.5	89.6	89.6
between 3% and 4%	1,001.8	7.3	1,009.1
Provisions related to specific assets	150.6	13.6	164.2
Provisions with guaranteed interest rate at expiry	188.7	5.3	194.0
Of which			
Class C	95.4		95.4
Class D	93.3	5.3	98.6
	3,192.6	115.8	3,308.4

(*) including technical provisions for which the investment risk is supported by the policyholder.

Attachment 1 – Number of policies drawn up and composition of the traditional portfolio

Number of policies (*) drawn-up

at December 31, 2012

Division	TOTAL
Milano Ass.ni	208,717
Liguria Vita	17,459
TOTAL	226,176

(*) for the collective a record was considered for each person insured

Composition of the traditional portfolio

broken down by division at December 31, 2012

(in Euro thousands)

Division	Provision elaborated	Total provision	% elaborated
Milano Ass.ni	2,808,169	3,032,237	92.6
Liguria Vita	99,771	110,088	90.6
TOTAL	2,907,940	3,142,325	92.5

Attachment 2 – LAT VALUATION

The application of the LAT valuation model provided the results shown below comparing them with the provisions in the accounts considering the actuarial provisions, the future expenses provisions, the additional provisions, for interest guarantee and decreased by the commissions to be amortised described above.

LAT Evaluation
at December 31, 2012
(in Euro thousands)

	A=B+C+D-E	B	C	D	E	F	A-F
MILANO ASS.NI	**Ris. Bil.**	**Ris. Matem.**	**Ris. Aggiunt.**	**Ris. Spese**	**DAC**	**Ris.LAT**	**Ris.Bil - Ris.Lat**
Milass RE	556,301	558,050	9	2,007	3,766	528,198	28,103
Milass Gest1	423,836	413,074	12,158	1,392	2,787	406,394	17,442
Fondoviva	451,909	432,938	17,514	1,458	-	436,117	15,793
Fondo 3A	397,316	397,124	780	2,092	2,680	383,889	13,427
Geprecoll	441,547	437,477	1,553	2,517	-	437,600	3,947
Sasariv	275,006	274,612	*93*	2,153	1,853	262,176	12,830
Attivi Specifici	151,156	150,624	-	532	-	149,774	1,382
Valutaviva	152,871	149,175	3,204	492	-	131,280	21,591
Non rivalutabili	47,191	43,159	1,983	2,340	291	(34,633)	81,823
Previ MAA	29,688	29,284	273	130	-	28,745	943
Milass Pensione	38,398	38,164	-	234	-	32,626	5,772
Dante	24,306	22,794	1,483	30	-	22,967	1,340
Kennedy	8,783	7,910	851	22	-	8,222	561
Tell	10,076	9,050	1,024	3	-	9,280	797
Fondo SI	1,935	1,888	45	3	-	1,778	157
Altro	69,955	66,915	2,814	227	-	67,668	2,287
Totale	**3,080,274**	**3,032,238**	**43,784**	**15,632**	**11,377**	**2,872,081**	**208,195**
N.B.: "Altro" = Sasariv Pensione, Viva Prim, Bach, Gestiprev, Valuta Maa, Innovazione Maa, First Life							

	A=B+C+D-E	B	C	D	E	F	A-F
Liguria Vita	**Ris. Bil.**	**Ris. Matem.**	**Ris. Aggiunt.**	**Ris. Spese**	**DAC**	**Ris.LAT**	**Ris.Bil. - Ris.LAT**
Liguria Vita	96,101	94,860	105	1,136	-	91,524	4,577
Attivi Specifici	13,660	13,607	-	53	-	13,565	95
Non rivalutabili	1,724	1,621	-	103	-	1,580	144
Totale	**111,485**	**110,088**	**105**	**1,292**	**-**	**106,669**	**4,816**

Attachment 3 – LAT Valuation – Index-Linked

For the valuation of Index products classified as "insurance" (IFRS 4), it is necessary to verify the adequacy of the reserves recorded in the accounts in relation to the risks underwritten and to the future expenses.

LAT Valuation – Insurance Index
at December 31, 2012
(in Euro thousands)

	A=B+C+D-E	B	C	D	E	F	A-F
MILANO ASS.NI	**Ris. Bil.**	**Ris. Matem.**	**Ris. Aggiunt.**	**Ris. Spese**	**DAC**	**Ris.LAT**	**Ris.Bil - Ris.Lat**
Index	93,714	93,297	14	403	-	93,537	177
Totale	**93,714**	**93,297**	**14**	**403**	**-**	**93,537**	**177**

	A=B+C+D-E	B	C	D	E	F	A-F
Liguria Vita	**Ris. Bil.**	**Ris. Matem.**	**Ris. Aggiunt.**	**Ris. Spese**	**DAC**	**Ris.LAT**	**Ris.Bil. - Ris.LAT**
Index	5,337	5,299	-	38	-	5,324	13
Totale	**5,337**	**5,299**	**-**	**38**	**-**	**5,324**	**13**

Attachment 4 – Parameters utilised

Revaluation of benefits	Itagov Curve at valuation date (see Attachment 2)
Inflation	2.40%
Discount rate	Itagov Curve at evaluation date (see Attachment 2)
Redemptions, Reductions, Cancellations	See Attachments 3 and 4
Mortality	SIM/F 2002 discounted by 40%
Management expenses (in Euro thousands)	see below

	Milano	Lig.Vita Trad	Lig.Vita Index
Ind. single prem..	28	31	28
Ind. ann. prem.	65	62	28
Ind. ann. recurr. prem.	65	31	28
Coll. (ind.)	28	31	28

Attachment 5 - Itagov

Year	Itagov
1	1.305%
2	2.055%
3	2.449%
4	2.842%
5	3.238%
6	3.551%
7	3.864%
8	4.119%
9	4.324%
10	4.529%
11	4.708%
12	4.852%
13	4.964%
14	5.048%
15	5.107%
16	5.143%
17	5.162%
18	5.168%
19	5.166%
20	5.160%
21	5.155%
22	5.151%
23	5.148%
24	5.147%
25	5.146%
26	5.145%
27	5.145%
28	5.146%
29	5.147%
30	5.148%

Attachment 6 – Frequency of Traditional portfolio elimination

	Milano - Liguria	Milano - Liguria	Milano - Liguria
Duration	Single periodic premiums	Single premiums	Collective
0	2.28%	0.38%	1.21%
1	6.24%	5.26%	5.67%
2	8.20%	8.17%	8.18%
3	9.42%	7.84%	8.42%
4	9.42%	6.54%	7.71%
5	9.81%	7.08%	8.68%
6	9.44%	8.63%	9.24%
7	8.30%	8.72%	8.36%
8	6.08%	7.85%	6.12%
9	5.58%	3.93%	5.55%
10	5.23%	3.68%	5.21%
11	5.03%	4.90%	5.03%
12	4.48%	3.06%	4.45%
13	4.00%	3.75%	4.00%
14	3.41%	3.28%	3.40%
15	3.19%	2.33%	3.18%
16	2.94%	2.30%	2.92%
17	2.69%	3.48%	2.71%
18	2.46%	2.02%	2.45%
19 or more	1.93%	1.40%	1.93%

Attachment 7 – Frequency of Index portfolio elimination

	Milano - Liguria
Duration	Index
0	2.50%
1	2.50%
2	2.50%
3	2.50%
4	2.50%
5	2.50%
6	-
7	-
8	-
9	-
10	-
11	-
12	-
13	-
14	-
15	-
16	-
17	-
18	-
19 or more	-

PART G - Information on business combinations

In 2012 no business combinations took place.

PART H - Transactions with related parties

Reported below are the transactions with related parties, pursuant to Consob Resolution No. 17221 of March 12, 2010, amended with resolution No. 17389 of June 23, 2010 which adopted the “Regulation on related party transactions” pursuant to Article 2391 *bis* of the Civil Code, as well as Articles 113*ter*, 114, 115 and 154 *ter* of Legislative Decree 58/98.

In relation to transactions with subsidiaries and with associated/group companies, these principally concern:
- transactions related to reinsurance activities, all at market prices;
- charges, income and consequent debtor/creditor balances related to the division between the companies of the former Fondiaria-SAI Group of the cost of the general services at group level;
- credit and debit balances deriving from the involvement in the former Fondiaria-SAI Group tax consolidation.

(in Euro thousands)

	Assets		Liabilities		Revenues		Costs	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Parent Company	175,387	165,577	63,603	48,092	37,257	27,374	28,015	22,834
Associate/Group companies	526,154	525,455	135,868	139,925	231,424	191,940	312,306	325,023
Other related parties	266	223,991	491	3,093	14,734	10,691	75,104	53,203

In relation to transaction with Other related parties it is stated that:
- Revenues principally relate to premiums concerning contracts signed by the Employee Pension Fund of the Fondiaria-SAI Group;
- The costs include essentially (Euro 61,590 thousand) the write-downs carried out in the year against the receivables from the companies Im.Co. S.p.A. and Avvenimenti e Sviluppo Alberghiero s.r.l. (subsidiary of Im.Co). As previously stated in part B of the present notes, reference should be made to the comment on the account Other Receivables for detailed information: these receivables, of an original value of Euro 179.1 million concern payments on account of property operations in Milan, Via Confalonieri - Via de Castillia (Lunetta dell’Isola) and in Rome, Via Florence. The write-downs were made in consideration of the judgment declaring the bankruptcy of IM.CO. and Sinergia on June 14, 2012 by the Milan Court.

  The residual value of these receivables at December 31, 2012 amounted to Euro 78,410 thousand and is not included under assets with related parties as this relationship terminated before the end of the year.

PART I – Subsequent events after the year end

There were no significant events as per paragraph 21 and subsequent of IAS 10 after year-end which would adjust the values of the current financial statements.

PART L - Other Information

Strengthening of the prior year claims provisions: Information requested by Consob

With Consob communication of March 18, 2013, Protocol No. 13021371, Consob requested Milano Assicurazioni, pursuant to Article 114, paragraph 5, of Legislative Decree 58/98, to report in the explanatory notes to the 2012 consolidated financial statements disclosure and information concerning:

- the quantitative and qualitative reconstruction of the movements of the revaluation of the prior year claims provisions during 2012 of the group insurance companies, indicating the underlying reasons for the revaluation and providing details of the amounts by insurance company and class;
- the quantification, representation and accounting of the strengthening of the prior year claims provisions in the 2012 consolidated financial statements, specifying the International Accounting Standards adopted;
- the underlying reasons for the reformulation of the provision policies adopted to date by the insurance companies of the Milano Assicurazioni Group;
- actions taken to render the provision policies uniform, indicating modifications to the operating plan and methodology
- the reasons for which it was not considered appropriate to consider the revaluation of the prior year claims reserve as a correction of an error of the previous year, in compliance with IAS 8

With reference to the request of the Supervision Authority, the following information is provided.

Strengthening of the prior year claims provision of the Milano Assicurazioni Group and reformulation of the provision policies

As already illustrated in the press release published on December 21, 2012 by the parent company Unipol Gruppo Finanziario S.p.A., in the joint 2013–2015 Industrial Plan (the "Plan") assumptions were made, with reference to the year 2012, to strengthen the non-life prior year claims provisions1 relating to the Fondiaria-Sai Group by approx. Euro 650 million, of which Euro 350 million relating to Milano Assicurazioni and its subsidiaries.

The reasons underlying these assumptions to strengthen the provisions are substantially due to the circumstances and valuations reported below:

[1] Defined as the sum of the claims provisions at the end of the previous year to the reference year (the "Year"), less the amounts paid in the Year, less the prior year claims provisions at the end of the Year, plus/less the balance of the sums recovered/to be recovered from policyholders and third parties.

A) First Nine Months 2012 results: with the approval, on November 13, 2012, by the Board of Directors of Milano Assicurazioni of the Interim Report at September 30, 2012, on the proposal of the previous technical structures of the company, the need to strengthen prior year claims provisions was highlighted for a total of Euro 215 million, for the entire Milano Assicurazioni Group, principally due to:

- The Motor TPL Class: the analysis of the management data relating to the savings on the prior year claims settled at September 30, 2012, according to the valuations made by the previous technical structures, indicated for Milano Assicurazioni a position 10 percentage points lower than that recorded by Unipol Assicurazioni at the same date (equal to 25.8% of the “dropped” provision), although improving on the previous year. In the absence of precise figures calculated based on the actuarial models, prepared solely for the purposes of the annual financial statements, this management indicator - concerning a provision estimate still not sufficiently prudent - was taken by these structures as evidence of the need, in the application of prudent criteria, for further provisions of the claims still open with these insurance companies. At September 30, 2012, therefore, at Milano Assicurazioni consolidated level it was considered necessary to strengthen these Motor TPL claims provisions for Euro 181 million;

- The General TPL Class: based on specific instructions received from ISVAP (now IVASS), Milano Assicurazioni was required to increase provisions for a total of Euro 61 million and to develop valuation models at last cost utilising actuarial methodologies, in place of the simplified methodologies utilised up to the 2011 Annual Accounts. Therefore, at September 30, 2012, again on the proposal of the technical structures, the company Milano Assicurazioni increased the General TPL claims provision for Euro 37 million (Euro 39 million including the other companies of the Milano Assicurazioni Group);

- Others Classes: at September 30, 2012 they report a positive balance of Euro 4 million;

B) Annual inventory process of the claims provisions: during the annual review phase of the inventory of the provisions relating to claims reported but not yet settled, the Milano Assicurazioni loss adjustor’s network highlighted the necessity for significant revaluations, in particular of large amounts pertaining to the Motor TPL and General TPL classes. It is also noted that in addition to the activities undertaken by the claims adjusters, in accordance with instructions from the Insurance Supervisory Authority, the estimate of the adjusters must be verified with actuarial methodologies in order to estimate the last cost of the claims still to be reserved[2], including all future costs. This activity may result in a further supplement to the provisions compared to that originally estimated by the claims adjustors based on the information at their disposal.

The Company, in the preparation of the Plan, and not having the final figures for the year 2012 and in consideration, therefore, of the impossibility to apply the actuarial methodologies for the valuation of the provisions at last cost (actuarial models, in fact, require historical annual data), considered it appropriate to record a further prudent one-off adjustment to that made by the adjusters, with a total estimate to strengthen the prior year claims provisions of Euro 350 million.

Therefore, within the uniformity process of the underlying assumptions in the economic and financial projections of the Plan, the estimates to strengthen the prior year provisions made reference to:

(i) management data and adjustments of the claims provisions made by the claims adjustors in the year-end inventory process and
(ii) a prudent estimate of the increase of these values, made on a one-off basis, to take account of any further strengthening due to the valuations of the actuarial models.

In relation to the process to render the reservation policies of the companies of the Milano Assicurazioni Group uniform with the Unipol Group, in the initial months of the new ownership a verification of strict compliance with the above-mentioned regulation was undertaken.

Therefore at the conclusion of the inventory process carried out by the claims network, in order to establish the last cost of claims written to the provision, after including the provision estimates of the settlement expenses in the valuations, the technical verification was verified with various statistical-actuarial methods, providing the results which follow.
In particular, in relation to the General TPL Class and differing from that carried out last year, in place of the simplified methodologies, statistical/actuarial models such as the Chain-Ladder Paid model and the GLM ODP model were adopted, based on an analysis of the historic series classified by similar family of risk.

[2] Parallel to the analytical valuation of claims by the adjusters a statistical/actuarial valuation is also made which may further supplement the reserves to align with the "Last Cost", as defined by Article 27 of ISVAP Regulation No. 16 of March 4, 2008 which, at paragraph 1, states that *"the companies determine the claims reserve commencing from a separate analytical valuation of the cost of each not entirely paid claim reported with the inventory method"* and, at the following paragraph 4, establishes that *"for the classes characterised by slow settlement processes or in which the analytical valuations as per paragraph 1 are not able to take into account all future foreseeable charges, the companies, in order to determine the last cost of the claims, in addition to the valuations as per paragraph 1, also apply statistical/actuarial methodologies or forecasting valuation systems of future costs"*.

On the preparation of the 2012 Consolidated Financial Statements, based on the combined results of the methods described above a valuation of the last cost of prior year claims provisions resulted in an increase in the estimate of the loss adjustors, with particular reference to the Motor TPL class amounting to approx. Euro 120 million. This resulted in the strengthening of the prior year claims provisions of Euro 469 million, of which Euro 416 million relating to the Motor TPL Class and Euro 69 million relating to the General TPL Class, while the Other classes recorded a positive balance of Euro 16 million.

Strengthening of the prior year claims provisions

The table below reports, broken down by the principal classes (Motor TPL, General TPL and Other classes) and for the principal Group companies, the movements over the year 2012 in the strengthening of the prior year claims provisions, with cumulative totals at the valuation dates of June 30, September 30 and December 31, 2012, as well as the assumptions utilised within the Plan with reference to the year 2012.

	Euro Millions	**30/06/2012**	**30/09/2012**	**31/12/2012**	**Plan 2012**
Milano Assicurazioni	Motor TPL	70.6	164.1	321.2	300.0
	General TPL	36.0	37.1	61.8	65.0
	Others Classes	11.3	-6.5	-23.0	-46.0
	Total	118.0	194.7	360.1	319.0
Other companies of the Milano Group	Motor TPL	8.2	16.7	95.0	37.7
	General TPL	-	2.0	7.4	0.8
	Others Classes	0.7	2.5	6.6	0.8
	Total	8.9	21.2	109.0	39.3
Total Milano Group	**Motor TPL**	**78.8**	**180.8**	**416.1**	**337.7**
	General TPL	**36.0**	**39.1**	**69.2**	**65.8**
	Others Classes	**12.0**	**-4.0**	**-16.4**	**-45.2**
TOTAL		**126.8**	**215.9**	**468.9**	**358.3**

As previously illustrated, we highlight that the strengthening of the provisions took place particularly in the last part of 2012, based on the results of the inventory process, which commenced in September 2012, and the results deriving from the actuarial models applied only on the annual figures.

In relation to the industrial plan of the company resulting from the proposed merger (UnipolSai) the forecast was fully confirmed, which for the prior year claims provision considers, for purely prudent reasons, an overall supplement of Euro 150 million over the 2013-2015 plan.

Representation and accounting recognition of the strengthening of the claims provisions, International Accounting Standards adopted and reasons why the revaluation of the prior year claims provisions should not be treated as a correction of an error of the previous year in accordance with International Accounting Standard No. 8.

The adjustment of the claims provisions of Milano Assicurazioni S.p.A. and its subsidiaries is considered an adjustment of estimates and recorded in the 2012 consolidated financial statements of Milano Assicurazioni S.p.A. as a cost relating to 2012, recorded in the account 2.1.1 - Amounts paid and changes in the technical provisions (Consolidated income statement) recording an increase in Account 3 – Insurance Contract Liabilities (Balance Sheet – Shareholders' equity and liabilities). The change in the Motor TPL claims provisions between 2011 and 2012 is due to a change in the accounting estimates to be treated in accordance with IAS 8, paragraph 32 and thereafter and in no circumstances should this be considered as a correction of an "error".

This is due to the fact that (and as described above) the revaluation of the prior year claims provision is the product of elaborations and analyses concerning the forecast cost of claims not yet settled, established in light of all the information available at the time of the preparation of the financial statements, information which differs from that utilised and available, or which could not have been forecast at the time of the preparation of the previous financial statements and therefore in line with that established by IAS 8.

Finally, in relation to the International Accounting Standards adopted, it is repeated that the IAS/IFRS does not govern, in a specific accounting standard, the treatment of insurance provisions and therefore the accounting treatment of any strengthening of such provisions.

IFRS 4 is the only International Accounting Standard which currently expressly deals with insurance contracts – in fact it has as its sole purpose "to specify disclosure in financial statements relating to insurance contracts for each entity which issues these contracts (defined, in the present IFRS, as insurer) until the Board has completed the second phase of its project in relation to insurance contracts" (which has not yet occurred).

IFRS 4, however, provides some indications on the system which governs, within the IAS/IFRS, the valuation of insurance contracts and, consequently, of the provisions. Paragraph 13 of IFRS 4 in fact provides that "the insurer is exempt from the application of such criteria with reference to paragraphs 10 - -12 of IAS 8 to its own accounting principles relating to:

a. own insurance contracts issued (including acquisition costs and related intangible assets, as per paragraphs 31 and 32); and
b. reinsurance contracts held".

This signifies that, in the absence of regulations which govern the specific circumstances – specifically "insurance contracts" – insurance companies, instead of making reference to the provisions of paragraph 10 – 12 of IAS 8 (therefore paragraphs of IAS 8 which govern the treatment of the preparer of the financial statements when there is a deficiency in the application of IAS/IFRS standards), may continue to adopt the practices utilised, or rather, in the Italian case, to continue to adopt in the calculation of the provisions for the preparation of the individual statutory financial statements with regard to the technical provisions of the Non-Life classes Article 37, paragraph 1 of the Private Insurance Code and ISVAP Regulation No 16/2008.

Adjusted solvency

The verification of the adjusted solvency at December 31, 2012, pursuant to article 217 of Legislative Decree 209/2005 and made based on the provisions of Isvap regulation No. 18 of March 12, 2008, reports the following situation:

	2012	**2011**
Amount of adjusted solvency margin requested	773,119	785,721
Total elements to be covered	894,468	1,051,593
Excess	**121,349**	**265,872**
Coverage percentage	*115.7%*	*133.8%*

At December 31, 2011 the company utilised the option under ISVAP Regulation No. 37 which enabled, for the adjusted solvency to value the securities issued or guaranteed by European Union States, allocated as non-current, based on the carrying amount in the separate financial statements. This option at December 31, 2011 had a positive impact on the constituting items of Euro 200.9 million, corresponding to an improvement in the solvency ratio of 25.5 percentage points.

Agency Network

The following table summarises the contribution and the territorial distribution of the agency networks of the fully consolidated companies:

	31/12/2012	31/12/2011
North	903	936
Centre	429	452
South and islands	448	467
Total agencies	**1,780**	**1,855**

Employees

At December 31, 2012, the number of employees of the Parent Company and of the consolidated companies amounted to 1,867 (increasing by 12 on 31/12/2011). The table below illustrates the breakdown and the comparison with the previous year.

	31/12/2012	31/12/2011
Executives	13	18
Managers & white collar	1,848	1,830
Building caretakers	6	7
Milano Group Employees	**1,867**	**1,855**

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
Swiss Franc	1.2072	1.2156

* * *

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

Bologna, April 24, 2013

MILANO ASSICURAZIONI S.p.A.
The Board of Directors

Attachments

In Euro thousands

Details of tangible and intangible fixed assets

	At cost	At revalued amount or fair value	Total book value
Investment property	613,188		613,188
Others buildings	34,737		34,737
Other tangible assets	4,272		4,272
Other intangible assets	3,924		3,924

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

Details of the technical provisions - reinsurance amount

	Direct business		Indirect business		Total book value	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Non-Life provisions	***268,493***	***245,341***	***1,887***	***1,939***	***270,380***	***247,280***
Unearned premium provision	47,507	53,732	59	51	47,566	53,783
Outstanding claims provision	220,986	191,609	1,828	1,888	222,814	193,497
Other provision					0	0
Life provisions	***68,751***	***80,531***	***1,023***	***1,120***	***69,774***	***81,651***
Claims outstanding provision	4,210	3,431			4,210	3,431
Actuarial provisions	64,541	77,100	1,023	1,120	65,564	78,220
Technical provisions where investment risk is borne by policyholders and from pension fund management					0	0
Other provisions					0	0
Technical provisions attributed to reinsurers	***337,244***	***325,872***	***2,910***	***3,059***	***340,154***	***328,931***

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

Details of financial assets

	Investments held to maturity		Loans and receivables		AFS Financial assets	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Equity securities and derivatives valued at cost						
Equity securities at fair value					191,500	371,937
of which listed securities					*119,382*	*307,672*
Debt securities	185,360	128,927	787,456	799,122	5,948,682	5,195,362
of which listed securities	*183,931*	*127,548*		*269,615*	*5,917,511*	*5,168,581*
Fund units					368,104	516,907
Loans and receivables from banks						
Loans and interbank receivables						
Deposits with reinsurers			1,869	2,193		
Financial asset components of insurance contracts						
Other loans and receivables			92,197	91,223		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments			10,000	13,000		
Total	**185,360**	**128,927**	**891,522**	**905,538**	**6,508,286**	**6,084,206**

Fin. assets at fair value through the profit or loss account				**Total book value**	
Financial assets held for trading		**Financial assets designated at fair value recorded through profit or loss**			
31/12/2012	**31/12/2011**	**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/12/2011**
				0	0
		283	157	191,783	372,094
		283	*157*	*119,665*	*307,829*
528	4,878	124,979	160,325	7,047,005	6,288,614
528	*546*	*24,786*	*150,959*	*6,126,756*	*5,717,249*
		37,662	48,618	405,766	565,525
				0	0
				0	0
				1,869	2,193
				0	0
				92,197	91,223
		23	28	23	28
		6	9,961	6	9,961
		1,611	2,137	11,611	15,137
528	**4,878**	**164,564**	**221,226**	**7,750,260**	**7,344,775**

In Euro thousands

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

	Returns based on performance of investments funds and market indices		Returns related to the management of pension funds		Total	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Assets in accounts	131,814	176,905	23,153	18,110	154,967	195,015
Inter-group assets*					0	0
Total Assets	**131,814**	**176,905**	**23,153**	**18,110**	**154,967**	**195,015**
Financial liabilities in accounts	33,218	43,601	23,153	18,110	56,371	61,711
Technical provisions in accounts	98,596	133,304			98,596	133,304
Inter-group liabilities*					0	0
Total Liabilities	**131,814**	**176,905**	**23,153**	**18,110**	**154,967**	**195,015**

* Assets and liabilities eliminated in consolidation

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

Details of technical provisions

	Direct business	
	31/12/2012	31/12/2011
Non-Life provisions	***5,479,493***	***5,512,172***
Unearned premium provision	1,052,096	1,146,005
Outstanding claims provision	4,424,909	4,363,270
Other provisions	2,488	2,897
of which provisions set aside following the liability adequacy test		
Life provisions	***3,376,344***	***3,540,409***
Claims outstanding provision	43,453	43,056
Actuarial provisions	3,210,106	3,451,986
Technical provisions where investment risk is borne by policyholders and from pension fund management	98,597	133,304
Other provisions	24,188	-87,937
of which provisions set aside following the liability adequacy test		
of which deferred liabilities to policyholders	*6,640*	*-107,146*
Total Technical Provisions	***8,855,837***	***9,052,581***

Indirect business		Total book value	
31/12/2012	31/12/2011	31/12/2012	31/12/2011
17,319	***18,103***	***5,496,812***	***5,530,275***
826	821	1,052,922	1,146,826
16,493	17,282	4,441,402	4,380,552
		2,488	2,897
		0	*0*
1,357	***1,515***	***3,377,701***	***3,541,924***
8	27	43,461	43,083
1,349	1,488	3,211,455	3,453,474
		98,597	133,304
		24,188	-87,937
		0	*0*
		6,640	*-107,146*
18,676	***19,618***	***8,874,513***	***9,072,199***

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

Details of financial liabilities

	Financial liabilities at fair value through profit or loss			
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Equity financial instruments				
Sub-ordinated liabilities				
Liabilities from financial contracts issued by insurance companies deriving			56,371	61,711
From contracts for which the investment risk is borne by policyholders			*33,218*	*43,601*
From the management of pension funds			*23,153*	*18,110*
From other contracts				
Deposits received from reinsurers				
Financial liability components of insurance contracts				
Debt securities issued				
Payables to bank clients				
Interbank payables				
Other loans obtained				
Non-hedging derivatives		207		
Hedging derivatives		6,980	13,665	
Other financial liabilities			2,474	1,960
Total		**7,187**	**72,510**	**63,671**

Other financial liabilities		Total book value	
31/12/2012	31/12/2011	31/12/2012	31/12/2011
151,895	152,468	151,895	152,468
		56,371	61,711
		33,218	*43,601*
		23,153	*18,110*
103,000	123,519	103,000	123,519
			207
		13,665	6,980
	23,352	2,474	25,312
254,895	**299,339**	**327,405**	**370,197**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

Details of insurance technical provisions

		2012		
		Gross amount	**reinsurers' share**	**Net amount**
Non-Life business				
	NET PREMIUMS	2,826,968	-120,702	2,706,266
a	Premiums written	2,733,079	-121,263	2,611,816
b	Change in unearned premium provision	93,889	561	94,450
	NET CHARGES RELATING TO CLAIMS	-2,328,832	97,025	-2,231,807
a	Amount paid	-2,296,761	71,463	-2,225,298
b	Change in claims provision	-61,978	25,562	-36,416
c	Change in recoveries	29,498		29,498
d	Change in other technical provisions	409		409
Life Sector				
	NET PREMIUMS	378,564	-10,763	367,801
	NET CHARGES RELATING TO CLAIMS	-445,066	7,109	-437,957
a	Sums paid	-717,308	19,041	-698,267
b	Change in provision for sums to be paid	-379	779	400
c	Change in actuarial provision	241,583	-12,711	228,872
d	Change in technical provisions where investment risk borne by policyholders and from pension fund management	35,241		35,241
e	Change in other technical provisions	-4,203		-4,203

2011 - IAS 8 Restated			2011		
Gross amount	reinsurers' share	Net amount	Gross amount	reinsurers' share	Net amount
3,024,173	-128,702	2,895,471	3,024,173	-128,702	2,895,471
2,978,926	-126,950	2,851,976	2,978,926	-126,950	2,851,976
45,247	-1,752	43,495	45,247	-1,752	43,495
-2,465,257	51,848	-2,413,409	-2,668,257	51,848	-2,616,409
-2,424,598	66,389	-2,358,209	-2,424,598	66,389	-2,358,209
-81,134	-14,541	-95,675	-284,134	-14,541	-298,675
40,085		40,085	40,085		40,085
390		390	390		390
396,951	-12,908	384,043	396,951	-12,908	384,043
-455,500	9,144	-446,356	-455,500	9,144	-446,356
-701,644	21,744	-679,900	-701,644	21,744	-679,900
5,548	-722	4,826	5,548	-722	4,826
191,203	-11,878	179,325	191,203	-11,878	179,325
52,614		52,614	52,614		52,614
-3,221		-3,221	-3,221		-3,221

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

Financial income and expenses from investments

		Interest	Other Income	Other Charges	Profits realised
Result from investments		**240,337**	**49,079**	**-47,892**	**115,920**
a	Deriving from property investments		29,148	-17,002	17,423
b	Deriving from investments in subsidiaries, associates and joint ventures		594	-23,446	
c	Deriving from investments held-to-maturity:	8,885			
d	Deriving from loans and receivables	39,104			
e	Deriving from AFS financial assets	183,542	17,241	-3,432	79,233
f	Deriving from financial assets held for trading	206			474
g	Deriving from financial assets designated at fair value through profit or loss	8,600	2,096	-4,012	18,790
Result of other receivables		**2,316**	**237**		
Result of cash and cash equivalents		**3,593**		**-21**	
Result of financial liabilities		**-10,113**	**0**	**0**	**0**
a	Deriving from financial liabilities held for trading				
b	Deriving from financial liabilities designated at fair value through profit or loss				
c	Deriving from other financial liabilities	-10,113			
Result of payables		**-792**			
Total		**235,341**	**49,316**	**-47,913**	**115,920**

Losses realised	Total income and charges realised	Valuation gains		Valuation losses		Total income and charges not realised	Total income and charges 2012	Total income and charges 2011
		Valuation gains	Write-back of value	Valuation losses	Impairment			
-78,191	279,253	5,374	3,522	-27,674	-150,212	-168,990	110,263	-43,803
	29,569			-24,455	-91,109	-115,564	-85,995	-106,839
	-22,852					0	-22,852	-17,161
	8,885					0	8,885	6,986
-234	38,870		2,099		-5,415	-3,316	35,554	32,432
-60,848	215,736		1,423		-53,688	-52,265	163,471	54,929
-2,096	-1,416			-17		-17	-1,433	2,325
-15,013	10,461	5,374		-3,202		2,172	12,633	-16,475
	2,553					0	2,553	1,512
	3,572					0	3,572	3,058
0	-10,113	0	0	0	0	0	-10,113	-12,752
	0					0	0	-977
	0					0	0	0
	-10,113					0	-10,113	-11,775
	-792					0	-792	-743
-78,191	274,473	5,374	3,522	-27,674	-150,212	-168,990	105,483	-52,728

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

Details of insurance management expenses

		Non-Life Sector		Life Sector	
		2012	2011	2012	2011
Gross commissions and other acquisition expenses		-496,600	-535,286	-19,874	-16,535
a	Acquisition commissions	-356,118	-424,399	-8,756	-7,105
b	Other acquisition expenses	-86,836	-87,550	-8,569	-9,025
c	Change in deferred acquisition costs	2,512		636	3,265
d	Collection commissions	-56,158	-23,337	-3,185	-3,670
Commissions and profit participation received from reinsurers		40,270	41,153	2,820	2,602
Investment management charges		-3,556	-4,386	-1,970	-1,135
Other administration expenses		-99,471	-108,430	-10,103	-10,669
Total		**-559,357**	**-606,949**	**-29,127**	**-25,737**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

In Euro thousands

Details of financial assets and liabilities by level

		Level 1		Level 2		Level 3		Total	
		2012	2011	2012	2011	2012	2011	2012	2011
AFS Financial assets		6,149,450	5,476,253	11,037	543,688	347,799	40,000	6,508,286	6,059,941
Financial assets at fair value through profit or loss	Financial assets held for trading	528	546		4,332			528	4,878
	Financial assets designated at fair value recorded through profit or loss	62,731	13,650	76,084	207,576	25,749		164,564	221,226
Total		6,212,709	5,490,449	87,121	755,596	373,548	40,000	6,673,378	6,286,045
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading			-	7,187			-	7,187
	Financial liabilities designated at fair value through profit or loss			72,510	63,671			72,510	63,671
Total		-	-	72,510	70,858	-	-	72,510	70,858

DISCLOSURE AS PER ARTICLE 2497-*BIS* OF THE CIVIL CODE

In accordance with Article 2497-*bis* of the Civil Code, we present below the key data from the latest financial statements approved by Unipol Gruppo Finanziario S.p.A., which from November 14, 2012 has exercised management and co-ordination over Milano Assicurazioni S.p.A..

The key data of the parent company Unipol Gruppo Finanziario S.p.A. shown in the summary statement has been sourced from the Financial Statements at 31/12/2011 (and compared with 31/12/2010), 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.

Unipol Gruppo Finanziario

(in Euro millions)

BALANCE SHEET

ASSETS			31.12.2011	31.12.2010
A)	RECEIVABLES DUE FOR UNPAID CAPITAL			
B)	FIXED 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	Inventories	-	-
	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)	ACCRUED INCOME AND PREPAID EXPENSES		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	-	-
	IX	Loss 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

INCOME STATEMENT

		2011	2010
A)	VALUE OF PRODUCTION	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)

Declaration of the Consolidated Financial Statements

in accordance with Article 81 *ter* of the Consob Resolution No. 11971 of May 14, 1999 and successive modifications and integrations

1. The undersigned Fabio Cerchiai (as Chairman of Milano Assicurazioni) and Massimo Dalfelli (as Executive responsible for the preparation of the corporate accounting documents of Milano Assicurazioni) affirm, and also in consideration of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:
   - the conformity in relation to the characteristics of the company and
   - the application of the administrative and accounting procedures for the compilation of the consolidated financial statements for the period January 1, 2012 - December 31, 2012.

2. The valuation of the adequacy of the accounting and administrative procedures for the preparation of the consolidated financial statements at December 31, 2012 is based on a Model defined by Milano Assicurazioni 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 consolidated financial statements as at 31/12/2012:
   a) are drawn up in conformity with the applicable international accounting standards recognised by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of July 19, 2002;
   b) correspond to the underlying accounting documents and records;
   c) provide a true and correct representation of the economic, balance sheet and financial situation of the Issuer and of the companies included in the consolidation;

3.2. the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Bologna, April 24, 2013

Fabio Cerchiai
(Chairman)

Massimo Dalfelli
(Executive responsible for the preparation of corporate accounting documents)

Report of the Board Statutory Auditors on the Consolidated Financial Statements

Dear Shareholders,

Your Company has prepared the Consolidated Financial Statements at 31/12/2012 applying international accounting standards (IAS/IFRS) and applying the format for the accounts and instructions issued by the Supervision Authority with Regulation No. 7 of July 13, 2007.

The Consolidated Financial Statements therefore consist of the Balance Sheet, Income Statement, Comprehensive Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and the Notes to the financial statements.
These financial statements are presented together with the Directors' Report, containing information on the operational performance of the Group.

The Consolidated Financial Statements and the Directors' Report also contain exhaustive and detailed information on the operational performance of the Parent Company and of the consolidated companies, on the principal sectors of activities of the Group (non-life and life insurance, real estate and other activities), on the asset and financial management, on the litigation in course, on the significant events after year-end and on the outlook.

The Board ascertained the adequacy of the organisational-procedural structure of the Parent Company in order to manage the information flows and the consolidation operations and the appropriateness of the accounting principles and criteria adopted.

The Independent Audit Report of Reconta Ernst & Young S.p.A. on the 2012 consolidated financial statements of the Milano Assicurazioni Group, dated 24/4/2013, does not report any issues to be highlighted.

The Consolidated Financial Statements prepared in thousands of Euro, report a net loss and Group net equity respectively of Euro 216 million and Euro 1,038 million.

Finally, we declare that the structure of the consolidated financial statements are considered correct and conform with legislative requirements.

The present Report was reissued on April 24, 2013 following the adjustments to the Consolidated Financial Statements, made in accordance with Consob Resolution No. 18432 of December 21, 2012, concerning the restatement of the comparative income statement and balance sheet of the 2011 Consolidated Financial Statements.

Milan, April 24, 2013

The Board of Statutory Auditors

Mr. Giuseppe ANGIOLINI

Mr. Giorgio LOLI

Mr. Antonino D'AMBROSIO

Independent Auditors' Report of the Consolidated Financial Statements for the year ended December 31, 2012

Milano Assicurazioni S.p.A.

Bilancio consolidato al 31 dicembre 2012

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

(Riemissione)

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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
(Riemissione)

Agli Azionisti di
MILANO ASSICURAZIONI S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio consolidato, costituito da stato patrimoniale, conto economico, conto economico complessivo, prospetto delle variazioni di patrimonio netto, rendiconto finanziario e relative note esplicative di MILANO ASSICURAZIONI S.p.A. e sue controllate ("Gruppo MILANO ASSICURAZIONI") chiuso al 31 dicembre 2012. La responsabilità della redazione del bilancio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché al Regolamento emanato in attuazione dell'art. 90 del D.Lgs. n. 209/2005 compete agli amministratori di MILANO ASSICURAZIONI 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 consolidato 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.

   Per il giudizio relativo al bilancio consolidato dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione emessa da altri revisori in data 30 marzo 2012.

   Come descritto nelle note esplicative al paragrafo "Informazioni supplementari presentate negli schemi e nelle note esplicative relativamente ai dati comparativi 2011", la Capogruppo ha fornito alcuni dati e informazioni riferiti all'esercizio precedente che, secondo gli amministratori, hanno l'esclusiva finalità di ottemperare alla Delibera Consob n. 18432 del 21 dicembre 2012. Tali dati non sono stati assoggettati a revisione contabile.

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3. A nostro giudizio, il bilancio consolidato del Gruppo MILANO ASSICURAZIONI al 31 dicembre 2012 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché al Regolamento emanato in attuazione dell'art. 90 del D.Lgs. n. 209/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa del Gruppo MILANO ASSICURAZIONI per l'esercizio chiuso a tale data.

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 MILANO ASSICURAZIONI S.p.A., in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli amministratori di MILANO ASSICURAZIONI S.p.A.. È 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 consolidato del Gruppo MILANO ASSICURAZIONI al 31 dicembre 2012.

Milano, 24 aprile 2013

Reconta Ernst & Young S.p.A.

Enrico Marchi
(Socio)

Structure of the Group

RAPPRESENTAZIONE GRAFICA DEL GRUPPO AL 31/12/2012