INTESA SANPAOLO
VITA

2013 Annual Report

Company of INTESA SANPAOLO

2013 Annual Report
of the Intesa Sanpaolo Vita Insurance Group

Intesa Sanpaolo Vita S.p.A.
Registered office: Corso Giulio Cesare, 268 – 10154 Turin – Administrative offices: Viale Stelvio, 55/57 – 20159 Milan – Turin Company Register no. 02505650370 – Share Capital 320,322,508.00 Euro fully paid in – Included in the Register of insurance and reinsurance undertakings at no. 1.00066 – Parent of the Insurance Group Intesa Sanpaolo Vita, included in the Register of Insurance Groups at no. 28 – Company subject to coordination and management by Intesa Sanpaolo S.p.A..

(Translation from the Italian original which remains the definitive version)

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Management Report

Corporate Officers and Auditors

Board of Directors

Chairman	Salvatore MACCARONE
Deputy Chairman	Elio FONTANA
Managing Director	Gianemilio OSCULATI
Director	Paolo Maria GRANDI Paolo FIGNAGNANI Marco SIRACUSANO Guglielmo WEBER Andrea PANOZZO Anna TORRIERO

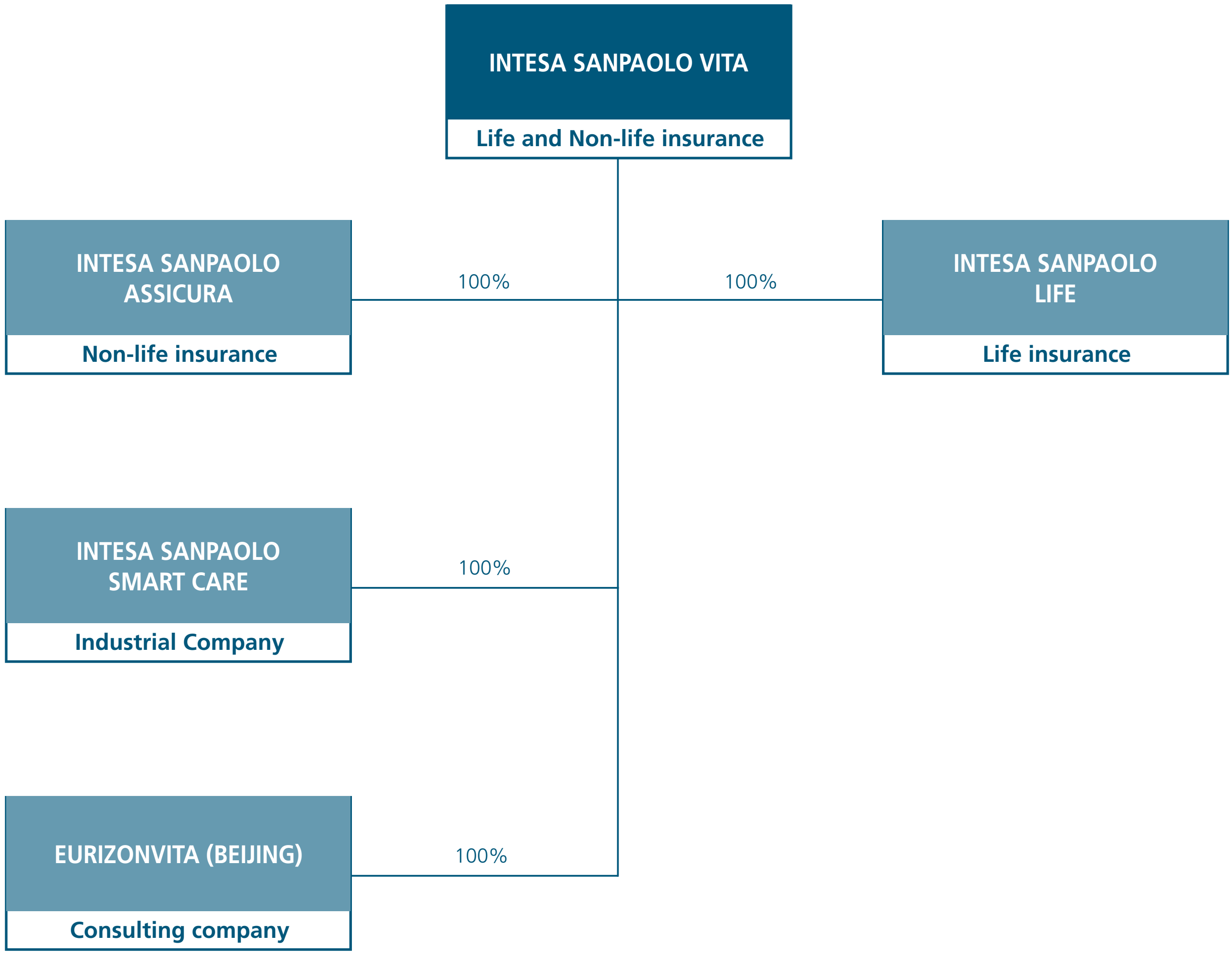
Board of Statutory Auditors

Chairman	Massimo BROCCIO
Standing Auditor	Paolo MAZZI Riccardo RANALLI
Alternate Auditor	Eugenio Mario BRAJA Patrizia MARCHETTI

Independent Auditors

KPMG S.p.A.

Group Structure



Key Consolidated Figures

(in millions of euro)

	31.12.2013	31.12.2012	Change	
Operational figures				
Gross collection	14,178.5	7,421.5	6,757.0	91.0%
Premiums of Life insurance products	424.8	479.4	-54.6	-11.4%
Premiums of Life financial products with DOFF	10,732.3	4,391.8	6,340.5	>100%
Gross collection of Life insurance products without DPF	2,789.1	2,328.3	460.8	19.8%
Premiums of Non-life business	232.3	222.0	10.3	4.6%
Life new business	13,673.0	6,882.9	6,790.1	98.7%
Life Contracts	3,080,592	4,443,523	-1,362,931.0	-30.7%
Human Resources	520	522	-2.4	-0.5%
Balance sheet figures				
Investments	78,917.0	72,863.1	6,053.9	8.3%
– Available–for–sale financial assets	54,649.3	43,671.9	10,977.4	25.1%
– Financial assets at fair value through profit or loss	24,170.0	29,068.7	-4,898.7	-16.9%
– Other investments	97.7	122.5	-24.8	-20.2%
Insurance provisions	58,402.4	51,137.0	7,265.4	14.2%
– Life insurance contracts	7,285.9	9,122.8	-1,836.9	-20.1%
– Life financial contracts with DPF	49,334.6	41,458.7	7,875.9	19.0%
– Shadow accounting provision	1,307.0	136.3	1,170.7	>100%
– Non–life insurance policies	474.9	419.2	55.7	13.3%
Financial liabilities	17,754.0	17,626.8	127.2	0.7%
– Unit–linked financial policies	15,715.2	15,378.8	336.4	2.2%
– Index–linked financial policies	1,098.6	1,699.9	-601.3	-35.4%
– Products with specific assets	-	-	-	0.0%
– Subordinated liabilities	617.2	202.5	414.7	>100%
– Other liabilities	323.0	345.6	-22.6	-6.5%
Shareholders' equity	4,329.3	4,577.9	-248.6	-5.4%
– attributable to the Group	4,329.3	4,577.9	-248.6	-5.4%
– attributable to minority interests	-	-	-	0.0%
Income statement				
Net earned premiums	11,363.0	5,036.3	6,326.7	>100%
Net insurance benefits and claims	12,459.6	6,687.1	5,772.5	86.3%
Net fee and commission income	97.0	81.9	15.1	18.4%
Net income from financial instruments and investments	2,226.0	2,756.3	-530.3	-19.2%
Commissions and other acquisition costs	323.3	252.0	71.3	28.3%
Consolidated profit	346.7	342.8	3.9	1.1%
– attributable to the Group	346.7	342.8	3.9	1.1%
– attributable to minority interests	-	-	-	0.0%
Ratio				
Expense ratio	2.8%	5.0%	-2.2%	-43.1%
Non-life Loss ratio	49.4%	52.0%	-2.6%	-4.9%
Gross collection/insurance provisions and financial liabilities	18.6%	10.8%	7.8%	72.5%
Non-life combined ratio	96.2%	114.2%	-18.0%	-15.7%
Net fees and commissions/financial liabilities (Index- and Unit-linked)	0.6%	0.5%	0.1%	20.3%

Reclassified Consolidated Financial Statements

Reclassified Statement of Financial Position and Income Statement

(in millions of euro)

	31.12.2013	31.12.2012	Change	
ASSETS				
Intangible assets	632.0	631.9	0.1	0.0%
Tangible assets	0.9	0.7	0.2	26.3%
Amount ceded to reinsurers from insurance provisions	14.1	13.3	0.8	6.3%
Investments	78,917.0	72,863.1	6,053.9	8.3%
– Land and buildings (investment properties)	19.6	19.7	-0.1	-0.6%
– Investments in subsidiaries, associates and joint ventures	-	13.2	-13.2	n.d.
– Held to maturity investments	-	-	-	n.d.
– Loans and receivables	78.1	89.6	-11.5	-12.8%
– Available-for-sale financial assets	54,649.3	43,671.9	10,977.4	25.1%
– Financial assets at fair value through profit or loss	24,170.0	29,068.7	-4,898.7	-16.9%
Receivables	588.4	147.6	440.8	298.7%
Other assets	1,494.7	1,246.4	248.3	19.9%
Cash and cash equivalents	2,117.7	4,702.4	-2,584.7	-55.0%
Total assets	**83,764.9**	**79,605.4**	**4,159.5**	**5.2%**
LIABILITIES				
Shareholders’ equity	4,329.3	4,577.9	-248.6	-5.4%
– attributable to the Group	4,329.3	4,577.9	-248.6	-5.4%
– attributable to minority interests	-	-	-	n.d.
Other provisions	8.3	15.5	-7.2	-46.4%
Insurance provisions	58,402.4	51,137.0	7,265.4	14.2%
– Life insurance contracts	7,285.9	9,122.8	-1,836.9	-20.1%
– Life financial contracts with DPF	49,334.6	41,458.7	7,875.9	19.0%
– Shadow accounting provision	1,307.0	136.3	1,170.7	858.9%
– Non-life insurance policies	474.9	419.2	55.7	13.3%
Financial liabilities	17,754.0	17,626.8	127.2	0.7%
– Unit-linked financial policies	15,715.2	15,378.8	336.4	2.2%
– Index-linked financial policies	1,098.6	1,699.9	-601.3	-35.4%
– Products with specific assets	-	-	-	n.d.
– Subordinated liabilities	617.2	202.5	414.7	204.8%
– Other liabilities	323.0	345.6	-22.6	-6.5%
Payables	2,433.8	5,387.4	-2,953.6	-54.8%
Other liabilities	837.1	860.8	-23.7	-2.8%
Total Shareholders' equity and liabilities	**83,764.9**	**79,605.4**	**4,159.6**	**5.2%**

(in millions of euro)

	31.12.2013	31.12.2012	Change	
Net earned premiums	**11,363.0**	**5,036.3**	**6,326.7**	**>100%**
– Life businesses	11,156.6	4,870.8	6,285.8	>100%
– Non-life businesses	206.4	165.5	40.9	24.7%
Net insurance benefits and claims	**-12,459.6**	**-6,687.1**	**-5,772.5**	**86.3%**
Net fee and commission income	**97.0**	**81.9**	**15.1**	**18.4%**
Net income from financial instruments and investments	**2,226.0**	**2,756.2**	**-530.2**	**-19.2%**
– Net income from financial instruments at fair value through profit or loss	234.0	1,061.6	-827.6	-78.0%
– Other income	1,992.0	1,694.6	297.4	17.5%
Acquisition and administration costs	**-416.1**	**-337.0**	**-79.1**	**23.5%**
– Commissions and other acquisition costs	-323.3	-252.0	-71.3	28.3%
– Other costs	-92.8	-85.0	-7.8	9.2%
Other revenues and expenses	**-240.3**	**-333.9**	**93.6**	**-28.0%**
Profit before taxes for the period	**570.0**	**516.5**	**53.6**	**10.4%**
– Income taxes	-223.3	-173.6	-49.7	28.6%
Consolidated profit after taxes	**346.7**	**342.8**	**3.9**	**1.1%**
Loss from discontinued operations	**-**	**-**	**-**	**n.d.**
Consolidated profit	**346.7**	**342.8**	**3.9**	**1.1%**
– attributable to the Group	346.7	342.8	3.9	1.1%

Statement of Comprehensive Income

(in thousands of euro)

INTESA SANPAOLO VITA S.p.A.	Total FY 2013	Total FY 2012
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**346,699**	**342,806**
Other comprehensive income after taxes without reclassification in the income statement	**-222**	**-165**
Change in shareholders' equity of subsidiaries	-	-
Changes in the revaluation reserve of intangible assets	-	-
Changes in the revaluation reserve of tangible assets	-	-
Gains (losses) of non-current assets held for sale and discontinued operations	-	-
Actuarial gains (losses) arising from defined benefit plans	-222	-165
Other items	-	-
Other comprehensive income after taxes with reclassification in the income statement	**68,367**	**1,175,450**
Foreign currency translation differences	-5	-3
Net unrealized gains (losses) on available for sale financial assets	68,372	1,175,453
Net unrealized gains (losses) on cash flow hedging derivatives	-	-
Net unrealized gains (losses) on hedge of a net investment in foreign operation	-	-
Change in shareholders' equity of subsidiaries	-	
Gains (losses) of non-current assets held for sale and discontinued operations	-	
Other items	-	
TOTAL OF OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**68,145**	**1,175,285**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**414,844**	**1,518,091**
of which attributable to the Group	**414,844**	**1,518,091**
of which attributable to minority interests	**-**	**-**

Statement of changes in Equity

(in thousands of euro)

INTESA SANPAOLO VITA S.p.A.		Amount as of 31.12.2011	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Amount as of 31.12.2012
Shareholders' equity attributable to the Group	Share capital	320,323	-	-		-	320,323
	Other equity instruments	-	-	-		-	-
	Capital reserves	1,327,197	-	-		-	1,327,197
	Revenue reserves and other reserves	2,241,795	-	93,279		3	2,335,077
	(Own shares)	-	-	-		-	-
	Result for the period	93,278	-	249,528		-	342,806
	Other comprehensive income	-922,772	-	1,028,373	146,912	-	252,513
	Total attributable to the Group	**3,059,821**	**-**	**1,371,180**	**146,912**	**3**	**4,577,916**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-		-	-
	Result for the period		-	-		-	-
	Other comprehensive income	-	-	-	-	-	-
	Total attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**
Total		**3,059,821**	**-**	**1,371,180**	**146,912**	**3**	**4,577,916**

INTESA SANPAOLO VITA S.p.A.		Amount as of 31.12.2012	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Amount as of 31.12.2013
Shareholders' equity attributable to the Group	Share capital	320,323					320,323
	Other equity instruments	-					-
	Capital reserves	1,327,197					1,327,197
	Revenue reserves and other reserves	2,335,077		343,106		-663,733	2,014,450
	(Own shares)	-					-
	Result for the period	342,806		3,893			346,699
	Other comprehensive income	252,513		-222	47,548	20,819	320,658
	Total attributable to the Group	**4,577,916**	**-**	**346,777**	**47,548**	**-642,914**	**4,329,327**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-					
	Result for the period	-					
	Other comprehensive income	-					
	Total attributable to minority interests	**-**					
Totale		**4,577,916**	**-**	**346,777**	**47,548**	**-642,914**	**4,329,327**

Ordinary registered shares without a nominal value number 647,398,627.
Earnings per share amount to 0.535 euro.

Statement of Cash Flows (Indirect Method)

(in thousands of euro)

INTESA SANPAOLO VITA S.p.A.	FY 2013	FY 2012
Profit (loss) before taxes for the period	**570,019**	**516,450**
Change in non-cash items	**7,076,325**	**-473,463**
Change in non-life provision from unearned premium	23,993	52,232
Change in non-life provision for outstanding claims and other insurance provisions	29,885	25,806
Change in mathematical provisions and other life insurance provisions	6,068,464	-195,930
Change in deferred acquisition costs	560	3,056
Change in provisions	-7,150	-1,006
Non-cash income and expenses from financial instruments, investment property and equity investments	979,512	-70,925
Other expenses	-18,939	-286,696
Change in receivables and payables generated by operating activities	**-3,691,498**	**2,070,496**
Change in receivables and payables on direct insurance and reinsurance operations	6,632	-10,948
Change in other receivables and payables	-3,698,130	2,081,444
Income taxes paid	**-223,320**	**32,930**
Net cash generated/absorbed by cash items related to investment and financing activity	**4,117,157**	**951,817**
Financial liabilities related to investment contracts	190,138	858,458
Payables to banks and customers	-	-
Loans and receivable from banks and customers	-	-
Other financial instruments at fair value through profit or loss	3,927,019	93,359
CASH FLOW FROM OPERATING ACTIVITY	**7,848,683**	**3,098,230**
Net cash generated/absorbed by lands and buildings (investment property)	-165	-
Net cash generated/absorbed by equity investments in subsidiaries, associates and joint ventures	13,200	-13,200
Net cash generated/absorbed by loans and receivable	-	40,847
Net cash generated/absorbed by held to maturity investments	-	-
Net cash generated/absorbed by available for sale financial assets	-9,719,997	-542,377
Net cash generated/absorbed by tangible and intangible assets	317	-164
Other cash generated/absorbed by investment activity		-
CASH FLOW FROM INVESTING ACTIVITY	**-9,706,645**	**-514,894**
Net cash generated/absorbed by Group's share capital and equity instruments	-227	
Net cash generated/absorbed by own shares	-	-
Dividends payment	-663,439	-
Net cash generated/absorbed by minority interests' share capital and reserves	-	-
Net cash generated/absorbed by subordinated liabilities and participative financial instruments	-63,076	-25,000
Net cash generated/absorbed by other financial liabilities	-	-
CASH FLOW FROM FINANCING ACTIVITY	**-726,742**	**-25,000**
Effect of foreign-exchange differences on cash and cash equivalents	**-**	**-**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	4,702,399	2,144,063
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**-2,584,704**	**2,558,336**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	2,117,695	4,702,399

Reference context and Group performance

The external context

THE MACROECONOMIC CONTEXT

THE INTERNATIONAL ECONOMIC CLIMATE AND THE ITALIAN ECONOMY

In 2013 the world's economy continued to expand at a moderate and uneven pace. In the United States, the recovery of growth has given a boost to employment trends; in Japan, economic activity indices have responded positively to the expansionary economic policy launched by the new government, which includes an aggressive monetary stimulus. The Federal Reserve reacted to the strengthening of the economic recovery by announcing, at the end of the year, the downsizing of the massive securities purchase programme, which had continued unchanged for all of 2013.

The economic situation in the Eurozone remained weak, but the first signs of an exit from the recession were seen starting from the second quarter. The recovery gained strength in the second half of the year, also expanding to several countries affected by the debt crisis. However, the growth accumulated over the first three quarters was insufficient to prevent a slight contraction in the annual average GDP also in 2013. High levels of unused resources and the absence of international inflationary drives resulted in a decrease in inflation rates to under 1%. Fiscal policies remained restrictive, though to a lesser degree than in 2012. Financial conditions continued to be more unfavourable in the Mediterranean countries than in countries in Northern Europe, though the substantial drop in risk premiums is a sign that the acute phase of the crisis has passed. As concerns the debt crisis, the difficult negotiations on the bailout package for Cyprus were completed: they involved drastic restructuring of the two main banks and recourse to the deposits exceeding the European deposit guarantee level. Reviews of the other on-going programmes in progress (Greece, Portugal, Ireland and Spain) ended positively. At the end of 2013 Ireland and Spain exited the bailout programmes, without applying for further aid.

The recession in the Italian economy continued in the third quarter of 2013, though in a scenario of gradual stabilisation. Industrial production figures and economic surveys showed that the fourth quarter marked a return to growth in economic activity. The annual average still reported a highly negative figure, decreasing more than 1.5% on 2012. The decline in internal demand was partially offset by a new improvement in the trade balance, which, however, was more the result of the drop in imports than a growth in exports. Nevertheless, the overall situation continues to be penalised by a sharp reduction in the income levels of households, accompanied by highly unfavourable employment trends. Fiscal policy remained on a mainly restrictive course: nonetheless, during the year the Public Administration began payment of over 20 billion euro in past due invoices, and the fiscal policy approach announced for 2014 became gradually neutral.

In May, the European Central Bank (ECB) cut rates on main refinancing operations from 0.75% to 0.50% and lowered the marginal lending rate from 1.50% to 1.00%. A second decrease was implemented in November, reducing the refinancing rate to 0.25% and the marginal refinancing rate to 0.75%. The deposit rate remained at zero. Full allocation has been extended to at least July 2015. The ECB has not ruled out possible new measures in the future, emphasising that the official rates will remain equal to or lower than the current level for a long period of time. Money market rates remained stable, with modest signs of recovery starting from June, and substantial insensitivity to the measures on official rates. IRS rates took a marked upward swing starting in May, due especially to correlation with the US market. The same trend was seen in bond yields of countries with high ratings. The Italian BTP market saw a sharp fall in yields in January, followed by a return to higher levels, owing to the uncertainties surrounding the late-February political elections. The political stalemate that followed had relatively limited negative repercussions on risk premiums and rates, and it did not prevent a new cautious inflow of foreign capital into the Italian market. From the end of May, yield spreads between Italian and German securities began expanding once again, in line with the greater risk aversion seen on the main financial markets. After reaching a peak at the end of the second quarter, interest rate spreads then benefited from a long, sharp decline which continued to the beginning of 2014, amounting to near 200 basis points. A sharp contraction in spreads was also seen in the Spanish market.

Up to June, though recording significant fluctuations, the Euro remained at weaker levels, on average, than at the end of 2012. In the second half, it began a gradual rise towards 1.34-1.36 dollars, levels it maintained also at the beginning of 2014.

THE FINANCIAL MARKETS

In 2013, international stock markets reported overall positive trends, supported by the expansionary monetary policies of central banks and by gradual signs of an inversion in trend in the Eurozone's economic cycle.

After a worrisome start of the year in Europe, with the crisis in Cyprus' banking-financial system and growing political uncertainty in Italy, the April announcement by the Japanese Central Bank of an ultra-expansionary monetary policy, combined with the accommodating policies of the FED and the ECB, triggered an increase in international stock indices.

This trend was temporarily interrupted after mid-May, due to investors' growing concerns about the timing of the Federal Reserve's exit from its expansionary monetary policy: the stock indices correction significantly lowered, and in some cases completely erased, the gains of indices from the start of the year.

The stock market trend was largely positive during the third quarter, due to the first signs of stabilisation in the cycle in the Eurozone (and in some countries, such as Germany, of a real economic recovery), in a framework of investors' increasing risk appetite and with a gradual refocusing of attention back on fundamentals performance. In this phase, the "peripheral" countries of the Eurozone (Italy and Spain in particular) achieved better performance than the "core" countries (Germany and France), reducing most of the gap accumulated during the first half of the year.

Despite temporary profit taking on the markets triggered by the concerns over the weak trend in prices in the Eurozone, the last few weeks of 2013 were once again marked by a sharp rise in stock indices, reflecting the normalised economic and financial conditions in 2014.

During 2013, the S&P 500 index rose by 29.6%, sustained by the positive trend in economic growth and corporate profits in the United States. Asia's main stock markets continued to show highly diverging performance: China's SSE Composite index closed 2013 down 6.8%, penalised by the concerns over the sharp economic growth, while the Nikkei 225 index made strong gains (+56.7%), reflecting the positive impacts of expansionary monetary and fiscal policies.

The growing visibility of economic recovery and the decrease in tensions linked to the sovereign debt crisis boosted stock markets in the Eurozone. The DAX 30 index closed 2013 up by 25.5%, reflecting the strength of the domestic economy, while the CAC 40 gained 18% in the same period. The Spanish stock market is showing a strong recovery, with the IBEX 35 up by 21.4%. The Euro Stoxx index ended the year up 20.5%. Outside of the Eurozone, the British market index FTSE 100 grew 14.4%, while the Swiss market index (SMI) closed the period at +20.2%.

Performance of the Italian stock market in 2013 was slightly worse than the major European markets, penalised in the first half of the year by continued weakness of the domestic economy, as well as by tensions following the political elections in February. However, the performance gap decreased considerably in the second half of the year, in view of the gradual stabilisation of the economic cycle. The FTSE MIB index ended the year up 16.6% (after a 6.4% decline at the end of June); similarly, the FTSE Italia All Share was up 17.6% (-5.4% in the first half of the year). Mid-cap stocks, on the other hand, largely out-performed blue chips, with the FTSE Italia STAR index recording a sharp increase (+55.7%) in 2013.

European credit markets closed 2013 with positive performance, with a generalised tightening of risk premiums, particularly with the riskiest asset classes, which continued to benefit from accommodating monetary policies by central banks and encouraging signs of economic recovery in the Eurozone.

The positive performance of the markets was halted from mid-May, due to concerns over the tapering of quantitative stimulus from the Federal Reserve by the end of the year. The markets continued decreasing risk premiums as a result of the confirmation of a stable expansive approach from the ECB and the abundant liquidity in search of yields. This trend gained additional strength from the surprise effect of the Fed's decision in September to postpone the tapering of its securities purchase programme. The fourth quarter then saw the unexpected cut, in timing if nothing else, by the ECB and the notification by the Fed that the tapering of the purchase programme would not be accompanied by an immediate increase in rates and, in fact, that rates would remain low for a reasonably long period.

In 2013, the primary market saw a vigorous investment grade segment and record speculative grade issues. Specifically, the latter benefited from investors' search for yields and issuers' need to use the primary market in place of bank debt, at favourable conditions.

On the European bond market, industrial bonds outperformed financial bonds in the investment grade segment. The return of risk appetite and the continued search for attractive yields by investors have driven the performance of peripheral countries' securities as compared to core countries, as well as speculative securities as compared to investment grade securities, particularly in the classes with lower creditworthiness. The derivatives segment also saw a general reduction in the cost of hedging against insolvency risk, ending 2013 at record lows for the year and, at investment grade level, outperforming the cash segment. There was sharper tightening in the synthetic crossover and financial indices, particularly subordinated indices.

EMERGING ECONOMIES AND FINANCIAL MARKETS

Based on preliminary estimates by the IMF, in 2013 the growth in the GDP of emerging economies slowed to 4.7% from 4.9% in 2012. The slowdown was sharper in the areas with the greatest exposure to the commodities cycle, specifically Latin America and CIS and MENA countries. The continuing political tensions also impacted the MENA area.

In Latin America the GDP was estimated to be slowing down in Mexico from 2.3% to 1.2%, as well as in Chile and Venezuela, while Brazil bucked the trend as a result of the support from fiscal policy, growing from 1% to 2.3%. As far as the CIS countries are concerned, in Russia the GDP grew by 1.3%, less than half of the 2012 figure, while Ukraine fell into recession once again. In the MENA area the GDP trend slowed in several countries, including Egypt (from 3.2% to 1.7%), partly as a result of the turbulence linked to the political upheavals in the country. In Asia, the GDP trend grew slightly from 6.4% to 6.5%. The Asian region was impacted by the slowdown in its two leading countries, China and India, over the last two years and the adjustment measures implemented in several countries such as Indonesia, Thailand and Malaysia, marked by significant macroeconomic imbalances.

On the contrary, the GDP recovered in CEE and SEE countries, which benefited from the recovery in the cycle in the Eurozone. Serbia (with estimated GDP growth of around +1.9% from -1.7% in 2012) and Hungary (around +0.7% from -1.7%) exited recession whilst Romania registered a significant acceleration (around +2.3% GDP growth estimated for 2013, from +0.7% in 2012). Croatia and Slovenia remained in recession, even though the estimated GDP contraction for Croatia in 2013 (-0.9%) was lower than the 2012 fall (-2%). In Slovakia, growth slowed year on year (to an estimated 0.8% in 2013 from 1.8% in 2012), though showing gradual gains during the year.

In 2013 the average inflation rate for the year increased slightly, reaching 6.1% from 6% for all of 2012 based on the preliminary estimates of the IMF. The low upwards pressure was mainly due to increases in food and energy prices, which have a relatively higher weight in the baskets of emerging economies than in the baskets of advanced countries. Stronger momentum was seen in several Asian countries (Indonesia and Malaysia), in Turkey and in Egypt, where the annualised inflation rate closed 2013 at 10.4%, from 4.7% at the end of 2012. In these countries, the upwards pressures were driven by the depreciation of exchange rates. Conversely, inflation slowed in CEE and SEE countries, specifically in Serbia (from +12.2% at the end of 2012 to +4.8% at the end of 2013) and in Croatia (from +4.7% to +2.5%) due to weak internal demand.

Overall, the monetary policy measures implemented by emerging countries in 2013 were differentiated. In Central Eastern Europe, in an overall framework of fiscal stabilisation, low inflation and continuing weak growth, widespread cuts were made to official interest rates (Ukraine, Poland, Romania, Serbia and Hungary). Turkey, however, after aggressively cutting rates in the first half of the year (-225 bps), inverted the trend in the second half to offset exchange rate depreciation and increased inflation.

In Latin America easing measures prevailed (specifically in Chile, Colombia, Mexico and Peru), but there were restriction cases. The Central Bank of Brazil, in reaction to an expansive fiscal policy and inflation exceeding the target, repeatedly raised the benchmark Selic rate. In Asia, after cutting rates in the first half of 2013 to support internal demand, the Reserve Bank of India subsequently raised them to offset downwards pressures on the currency. In China, on the contrary, the monetary authorities introduced restrictive measures to reduce the growth in lending. In MENA countries, Egypt raised interest rates in the first half of 2013, in response to increased inflation and currency depreciation. Nonetheless, starting from the summer, the authorities focused on the worsening of the growth prospects, and the Central Bank lowered rates several times (150 bps from August to the end of the year). The reductions were possible due to the stabilisation of the currency and the return to accumulating reserves, which benefited from capital inflows from friendly countries.

In 2013, the financial markets of emerging countries were impacted by the weakening of activity in the real economy and, in cases with the greater financial vulnerability, by lower capital inflows, following the Federal Reserve's announcement of a gradual easing of the liquidity expansion programme. The subsequent revision of expected timeframes and methods for launching the tapering partly corrected the negative impact in the second half of the year.

The MSCI composite index of emerging countries rose by a modest 0.9% over all 2013 compared to 13.9% in 2012. In detail, after falling by over 6.3% in the first half, the index regained over 7% in the second half. The markets of oil-producing countries in the Gulf and of Egypt reported significant increases. The stock markets of Central Eastern Europe also recorded positive performance, following the increase in the EuroStoxx.

According to the JPM Total Return Index, emerging country bond markets offered positive yields of 0.9% in 2013, which were significantly lower than in 2012, when they had gained over 14%. The markets of Central Eastern Europe guaranteed relatively higher yields (around 2%), supported by internal stabilisation policies and the easing of financial tensions in the Eurozone.

In all emerging areas, there was an overall increase in the cost of insurance against default risk (CDS spread) for sovereign debt in 2013, caused – particularly in the first half – by a revision of expectations on global liquidity conditions. The factors that weighed on the performance of spreads included the ongoing political tensions in the Middle East (Bahrain, Egypt, Tunisia and Lebanon), the deterioration of the fiscal position in several countries in Central Eastern Europe (Croatia and Serbia) and of the external position (Albania, Ukraine and Turkey), the disappointment due to lack of reforms in Latin America (Brazil) and the management of economic policy that generated extreme economic imbalances (Venezuela and Argentina).

Concurrently, in 2013 the cuts in ratings and outlook for emerging countries by the three leading rating agencies significantly prevailed. The few countries whose ratings were upgraded and outlook improved include Mexico, Colombia and Peru in Latin America, rewarded primarily by their progress in implementing reforms and by the strengthening of their fiscal and external positions, Romania, with a positive outlook by S&P as a result of its progress in fiscal policy, Thailand, upgraded by Fitch from BBB to BBB+ due to its good growth prospects, low inflation and sound external position. Following repeated cuts in Egypt's rating during the year, in November S&P upgraded the country from the junk status (CCC+) to B- rating as a result of its recovery of currency reserves. The countries that showed a worsening of ratings and outlook included Argentina and Venezuela in Latin America, Tunisia and Bahrain in the MENA area, Croatia and Hungary (which lost investment grade status) among CEE/SEE countries.

FORECAST FOR 2014

There are widespread expectations that 2014 will be a year of moderate expansion in the global economy, with greater convergence of growth rates of advanced economies and the absence of inflationary pressures. The Eurozone will see a return to growth, having a positive effect on Italy, though with modest growth rates compared to the recession of the last two years. Monetary policies will remain highly expansionary: the United States will gradually taper off its quantitative stimulus programme, but official rates will remain near zero in the main advanced countries. Quantitative stimulus will continue in Japan. In spite of this, medium/long-term interest rates are expected to continue the gradual rising trend which began in 2013.

In 2014, the GDP in emerging areas is also expected to grow to 5.1%, according to the IMF. Many countries will benefit from the recovery underway in advanced economies, but will still be negatively impacted by the weakening of the commodities cycle and less favourable liquidity conditions on international markets. On a regional basis, increased momentum in growth is expected in all areas, especially in countries which saw a slowdown in 2013: for CSI Countries it is provided an increase in GDP for about 2,6%, 3,3% for Latin America and 3,3% for MENA Area. The recovery is expected to gain strength also in the overall group of CEE and SEE countries (around 2% according to EBRD forecasts), boosted by the expected improvement in the economic trend in the Eurozone, their main export market. In emerging economies of Asia, the GDP performance is expected to grow slightly, to 6.7%, despite China stabilising at around 7.5% (from 7.7% in 2013) and due to the recovery of India, for which the IMF forecasts growth to 5.4%, from 4.4% in 2013.

For the Italian banking system, it will take some time to exit the regression phase of lending and the growth of loans will occur several quarters after the economy recovers, in accordance with past trends. Moreover, the ECB's in-depth assessment of banks, in view of the launch of the Single Banking Supervision Mechanism, may have a prudential influence on the credit offer and focus attention on preserving capital, in a scenario where the number of non-performing loans continues to increase.

On the funding side, very moderate growth is expected, essentially concentrated on deposits, where time deposits will grow at a slower pace than in the recent past. In a context characterised by prudent credit access conditions, rates on loans will remain substantially unchanged, while the slight easing of the cost of funding may continue.

THE DOMESTIC INSURANCE MARKET

2013 marked a return of volumes within the life insurance market to the record levels of the 2009/2010 two-year period.

However, there are important differences compared to the recent past, given that the role of Class III and composite products is much more significant nowadays. In fact, the market is not being driven solely by traditional products: unit-linked products once again represent a significant portion of sales, accounting for more than 30% of the total business mix. Whilst the market for index-linked products is almost entirely at a standstill, and is not expected to recover until new legislation is enacted, composite products also achieved very significant results in 2013. However, the products available on the Italian market are still a far cry from a composite range that is capable of exploiting the full potential offered by the presence of risky and non-risky assets through medium to long-term life cycle dynamics. Moreover, asset allocation is still de facto concentrated on assets under segregated funds, to which on average more than 75% of premiums collected are directed.

Following the definitive return to normal parameters of all critical issues associated with the spread, the market for traditional products has returned to broadly positive terrain, driven on above all by the banking channel. Once again, almost all volumes are associated with single-premium products based on assets under segregated funds. However, the interest of the various players in protection-related issues has resulted in significant growth rates in figures for term life insurance, LTC and DD.

Finally, the market for individual pensions is growing slowly, driven on above all by significant restylings of the range of products offered by the major players.

As regards distribution channels, after a muted 2012 the bancassurance business has been able to revitalise sales focusing above all on Class III and composite products, but also by reopening the doors to assets segregated funds, which once again attracted huge volumes of single premiums. After exceptional sales during the first six months of the year, activities by financial advisors fell back significantly. Finally, the agency channel also reports growth.

As regards the pension sector, the unemployment rate increased also in 2013 by around 2 percentage points, reaching 12.7% at the end of the year. Within this unfavourable macroeconomic context, complementary pension provision continues to grow in Italy, even though the dynamics of this growth differ very significantly depending upon the type of product. Indeed, whereas pension funds open to individual membership (open-ended pension funds and individual pension funds) are maintaining good growth levels, acting as a motor for the development of the segment, collective pension funds are encountering difficulty in returning to growth, with a fall in the number of members, due to increases in outflows and a rather low number of new underwritings.

The results obtained from the different distribution channels report an increase for banking and post office counter business which, with around 246,500 new placements (+28%), represent the best channel within the market, followed by insurance agents with 244,500 new members (+30%) and financial advisors with a little under 46,000 placements (-18%).

Total pension assets account for around 10% of assets under management in Italy. In 2013 pension funds achieved positive average returns above the revaluation of employee termination indemnities.

Although this economic context does not provide a favourable basis for sectoral development, pension savings in Italy are maintaining constant growth levels, above all for individual member products. These products are enjoying good success with workers, above all the middle-aged, thanks to the widespread presence of a sales network enabling optimal communication with potential subscribers, which is seriously lacking for collectively negotiated pension funds and is having a negative impact on their growth. Unless there are abrupt changes in the macroeconomic context, qualified pension savings will also grow in 2014 in line with previous years, above all thanks to the development of Individual Pension Plans, which became the most widespread qualified pension product in the Italian market in 2013.

As regards the non-life insurance market, 2013 confirmed the trend from the recent past, as a consequence also of an economic context that remains complex: in fact, over the past twelve months premium income has fallen by more than 4% to 35.4 billion euro.

The result has been affected by the decisive fall in figures for the motor insurance segment, which represents the core business for the entire insurance system, and is becoming of increasing interest for competitors of the traditional networks. The market for non-motor guarantees continues to be affected by sustained weak industrial activity, labour market difficulties and the reduced spending power of families.

The motor segment as a whole has featured on the one hand ongoing pricing competition on motor liability insurance and on the other hand a substantiated reduction in clientele for non-mandatory guarantees.

Premium income for motor third party liability fell by more than 7% and the downward trend in volumes picked up significantly compared to 2012. The contraction is due essentially to the reduction in list prices, which was made possible by the improvement in technical accounts and a reduction in the frequency of claims: the average motor vehicle liability list price for new customers fell constantly over the four quarters of 2013, with the annual reduction exceeding 8%. Business generated by motor property guarantees reported a massive fall in premium income (-7.6%), due to the continuation of the profound crisis within the car market, which provides its principal factor of support. The class continues to suffer from the low level of renewal of the car fleet, the average age of which is now comfortably over ten years, and the crisis which is acting as a brake on the penetration of ancillary guarantees.

The market for non-motor guarantees confirms the difficulties encountered in 2012 in penetrating all business segments. The sector is continuing to suffer from the prolonged weakness of industrial activity and the lower spending capacity of families.

Overall volumes in Casualty business continued to fall at the end of 2013, influenced in particular by the current stagnation within the labour market. Whilst premium income in Accidents business is practically stable, Health business has had a negative impact on overall volumes. The Property & Liability segment remained in line with the figure for the same period in 2012, with a substantial stagnation of the risks of fire and other damage to property, which reflected the low level of dynamism within the industrial and real estate sector, and initial growth for the third party liability segment thanks above all to new obligations for certain employment categories. Volumes for all other non-life businesses have continued to contract.

Against this backdrop of a general contraction in business, it is the major groups that account for the contraction of total non-motor business: at the end of 2013, the total premium income of the five leading insurance groups in Italy fell by several percentage points, whilst the results for the rest of the market were substantially stable.

Contrary to the trend for premium income, overall profitability of the non-life insurance industry is constantly improving, so much so as to presume a particularly positive result at year-end: over the first nine months of the year the COR fell to just under 90% and it is expected that the figure at year-end will not be too distant from this result.

Analysing the national distribution scenario, whilst the traditional networks remain market leaders in volume terms, with a share remaining at around 89% of total non-life premium income, they are being placed under pressure due to the promotion of alternative networks, in particular in the car insurance segment. Indeed, a strong rationalisation is underway within traditional distribution, including more specifically a reduction in the number of branches, whilst at the same time the banks are displaying an increasingly clearer desire to play a more marked role in the distribution of non-life and car insurance products: in fact, at the end of the year the number of bank branches selling car insurance solutions exceeded the number of insurance agencies, and even the number of insurance agents, throughout Italy.

In-branch distribution is acquiring increasingly broad spaces and is de facto positioning itself as an increasingly credible competitor in the sale of non-life and protection policies.

Within the motor business segment, the banking channel has registered strong growth over the course of this year both in terms of volumes and of operational “sales outlets”: in fact, at the end of 2013 the overall premium income in this segment was 415 million euro, representing an increase of around 12%. The recent entry of the major banks revived the interest in this business of the entire banking system, so much so that new players will launch their own car insurance products in 2014.

The banking channel is maintaining interesting rhythms also in other product lines, with an average increase of almost 10% for household, family and personal risks, which represent not only an opportunity for growth and profitability for the channel, but also for the construction of a more solid relationship with its own clientele. Critical factors in actual fact remain above all for mortgage and loan protection solutions (around -5%), even though 2014 will not see falls similar to those that have characterised the recent past.

Action plans and business development

The strategic action plans followed by the Intesa Sanpaolo Vita insurance group in 2013 were the following:

- focus on the Customer and product innovation;
- focus on levels of capitalisation and safeguarding company assets;
- focus on corporate risks, promoting their reduction and monitoring, control and management, and developing a risk management culture at corporate level;
- focus on financial management and a conscious approach to management of liabilities;
- focus on cost management.

In 2013 the Insurance Group matured considerably and, as part of a homogeneous approach to strategic action plans for all Group companies, the priority areas for action by insurance companies from the Intesa Sanpaolo Vita Group were

- the parent Intesa Sanpaolo Vita:
  - reviewed and extended the existing product range with a view to better meeting customer requirements;
  - provided commercial support to distribution networks, which led to a considerable increase in business;
  - launched initiatives in order to support the operations of the parent Intesa Sanpaolo with a view to expanding opportunities for contact and customer services, through both the extension of branch opening hours and out-of-branch activity;
  - was allocated a rating by Fitch at the same level as the parent Intesa Sanpaolo (BBB+) and secured access to the financial markets through the issue of subordinated bonds of 500 million euro;
  - improved the operating model and system of internal controls through specific initiatives aimed at automating processes and their control;
  - focused on financial market dynamics, financial management and asset&liability management;
- Intesa Sanpaolo Assicura concluded the launch of the new motor insurance product "Viaggia Con Me" ["Travel With Me"]. Support activities for the technical performance of Creditor Protection Insurance products and innovation in other product areas continued alongside these activities, in particular in relation to home insurance;
- Intesa Sanpaolo Life focused its activities on the identification of niche products in the Unit-Linked segment by creating products aimed at achieving significant results for customers.

Due to the positioning resulting from the implementation of the Insurance group's strategic action plans, in 2013 it was possible to:

- achieve an elevated return on investments for the benefit of insured parties and the insurance group's assets;
- reduce the cost of premium income through product policies aimed at maximising the return for insured parties by reworking the guarantees provided;
- reduce operating costs further in absolute terms and as a proportion of the assets under management. In the Life business segment, operating costs as a proportion of the assets under management fell from 13 to 12 basis points, to European levels of excellence;
- implement a risk reduction policy and improve the Internal Control System.

Performance

OVERALL PERFORMANCE

The **profit for the year pertaining to the Intesa Sanpaolo Vita Insurance Group** amounted to 347 million euro, which was higher than the figure of 343 million euro in 2012. Despite an overall improvement in operational performance, the profit was also influenced by the increase in the rate of IRES [corporate income tax] for 2013 through the 8.5% additional rate introduced by Italian Law Decree no. 133 of 2013 (converted into Italian Law no. 5 of 29 January 2014), which had an overall impact of 49 million euro. After accounting for that extraordinary event, the profit increased by 15% to 396 million euro compared to the 343 million euro in 2012.

This result was achieved in spite of the different financial market context which resulted in a lower contribution by unrealised gains or losses in the current financial year.

Economic performance during the year was characterised by good operational performance comprised principally of:
- a significant increase in new business in the life segment in particular in relation to traditional products (investment with DPF);
- increase in non-life income involving a more balanced mix between the creditor protection insurance component and other components;
- payout trend slightly improved notwithstanding a propensity to surrender that is still high;
- resulting increase in average assets under management;
- constant contribution of financial management with an improvement in the overall fair value of investments without benefiting from the exceptional components characterising the previous financial year;
- containment of operating costs compared to the previous year, whilst taking account of increased charges associated with communication campaigns.

Compared to 2012, the underlying dynamics may be summarised principally as:
- relative containment of the contribution of financial management: a positive contribution is recorded from interest and disposals with negotiations launched in order to maintain the yield levels of segregated funds and a lower contribution of the measurement at fair value as a natural consequence of market trends, which posted a robust recovery in 2012 following heavy losses in 2011;
- improvement in the technical performance of non-life business thanks to improvement in the technical margin for marketed products, with particular reference to the product "Viaggia con Me", CPI (Creditor Protection Insurance) products generated after 2010 and the Home product. On the other hand, a more contained contribution to the technical balance continued from run off products;
- greater impact of commission expense associated with increased business in the bancassurance segment of traditional products (Investment with DPF), which posted an important increase from new business (+94%).

The net income resulting from financial instruments amounted to 2,226 million euro, as against 2,756 million in 2012, the result for which was influenced by the upsurge in market prices following the stage marked by strong tension during the second half of 2011 at the height of the sovereign debt crisis.

The gradual absorption of market volatility over the course of 2013 influenced the **overall result attributable to the Group** of 414.8 million euro (1,518.1 million euro during the previous year). This dynamic is principally an effect of the lower variation in the Unrealized gains reserve (Other Comprehensive Income) which increased by 68 million euro on the back of the rise of 1,175 million euro from the previous year due to the strong increase referred to above in the fair value of investments occurring during 2012.

RISK MANAGEMENT IN THE INTESA SANPAOLO VITA INSURANCE GROUP

The control and gradual cancellation of risks is a fundamental strategic axis for the Intesa Sanpaolo Vita Group. Within this context, particular importance is afforded to the system of internal controls, which is based on the following pillars:

- the company monitoring environment, based on the sensitivity of senior management to the importance of a correct definition of the principal instruments comprising the control system, i.e.:
  - formalisation of roles, tasks and responsibilities (delegated powers, internal codes and procedures, dissemination of functional charts, functional separation, with consequent separation of processes that are sensitive to the various risks of the business);
  - internal communication system (necessary information and timing for the production of flows and reports, timely nature of instructional information, sensitivity and receptiveness on the part of operating structures);
- the risk management process, or the on-going process by which endogenous and exogenous factors that may impair the achievement of company objectives are identified and analysed with the purpose of their management (identification, measurement and monitoring of risks);
- the adequacy of the manner in which controls are specified, structured and implemented at the different organisational levels (line/operational, hierarchical controls, risk management controls and internal auditing), in order to ensure the correct application of top management instructions;
- the IT system, which has the objective of guaranteeing the integrity and completeness of the data and information used in the management and control of company processes and operations;
- monitoring activity carried out by reference staff (line managers, risk management officers, internal auditing, top management, Board of Statutory Auditors, Independent Auditors, Appointed Actuaries, Managers responsible for forms of pension provision (open pension funds and individual pension schemes) and, for Intesa Sanpaolo Life, also the advisory committees responsible for Audit and Risk, Investments and Accounting & Reporting) in order to provide continuous oversight of internal control systems and to identify and give effect to improvements necessary in order to resolve critical issues identified, ensuring the maintenance, updating and improvement of the system.

Through the Insurance Group Regulations, the Insurance Group, operating within the wider context of the Intesa Sanpaolo Group, endeavours to ensure that company risks are managed in a homogeneous manner and with priority in accordance with the respective national legislation through constant monitoring of the results and the evolution of internal control systems in order to safeguard the interests of insured parties and the integrity of company assets.

The governance system of the parent is described in the governance documents, which have been presented to and approved by the Board of Directors. The most significant documents, alongside the Articles of Association of the company, are mentioned below:

- Directives on the Internal Control System and the Annual Report on the Control System;
- Regulations of the Insurance Group;
- system of powers and delegations (approved in advance by the parent and thereafter by the board of directors of the companies, and submitted for examination by the Surveillance Body under Italian Legislative Decree no. 231 of 2001, the Auditor and the local regulator). It regulates the power of management independence vested in the various company bodies in order to enable the functions allocated to be carried out, in accordance with the organisational principles governing delegation and controls.

The organisational structure is defined in such a manner as to guarantee a separation of roles and responsibilities between operational functions and control functions, as well as the independence of the latter from the former.

In order to reinforce oversight over company operations, the companies from the Insurance Group have established dedicated committees in order to analyse – from a cross-cutting perspective across the various departments – management performance, management of investments, commercial management, risk management and anti-money laundering issues.

The Internal Control System is structured according to the guidelines set out below:

- separation between tasks and responsibilities: tasks and responsibilities are divided between company bodies in a clear manner in order to avoid gaps or overlapping powers that may impinge upon the proper functioning of the company;
- formalisation: the actions of the administrative bodies and of delegated individuals must be documented at all times in order to enable management acts and decisions taken to be controlled;
- independence of controls: the necessary independence of the control structures from operational units must be assured.

The system for the management and control of risks adopted by the parent, also for the Insurance Group, involves the corporate bodies and operational and control structures within a comprehensive management of the Company and the Group, whilst respecting the different roles and levels of responsibility, which are intended to guarantee the adequacy of the system as a whole at all times.

The defined Internal Control System is commensurate with the size and operational characteristics of the company and the nature and intensity of company risks, as well as the risk management system, which is commensurate with the size, nature and complexity of the activities carried on, in order to enable the most significant risks to be identified, assessed and controlled, such risks being those the consequences of which may undermine the solvency of the company and of the Group or represent a serious obstacle to the fulfilment of company objectives.

Top company management is also vested with the task of promoting the dissemination of the "culture of control", which ensures that staff at all levels are aware of their own role, including in relation to control activity, and favours the involvement of all company structures in the pursuit of the company's objectives.

THE RISK MANAGEMENT STRATEGY

The implementation of efficient Risk Management and high performance is a commitment made by Intesa Sanpaolo Vita Group that takes due account of the contribution which Risk Management activities can give to the balanced development of the Insurance Group. In order to favour these objectives:

- clear risk governance and management principles have been defined;
- risk governance and management principles have been implemented;
- a culture and awareness of risk governance and management has been promoted at all levels of the Insurance Group.

The Board of Directors of Intesa Sanpaolo Vita bears ultimate responsibility, also in its capacity as the parent company of the insurance arm in relation to its own tasks and responsibilities, for defining strategies and guidelines in relation to risk management and internal control and for guaranteeing their adequacy and solidity over time with regard to their completeness, functionality and efficacy, in line with the size and operational specificity of the Company and of the Insurance Group, in addition to the nature and intensity of the Group's corporate risks. Subsidiaries are also vested with similar prerogatives within the context of the objectives allocated to them.

Specifically, the Management Bodies of Group Companies are responsible:

- for setting objectives at regular intervals, in line with the level of capital adequacy and in accordance with the guidelines of the Intesa Sanpaolo Group as implemented by Intesa Sanpaolo Vita and the Subsidiaries;
- for approving risk management policies and strategies and risk tolerance levels for the Company and Subsidiaries;
- for examining regularly the results achieved, including those relating to stress testing activity, as well as the underlying risk profiles of the Company and the Subsidiaries, as intimated by Senior Management and the independent risk control department (Risk Management);
- for acquiring information concerning the most significant critical issues in the area of risk management and the internal control of Intesa Sanpaolo Vita and the Subsidiaries as identified by the various bodies responsible for their monitoring and control;
- for the prompt assessment of the aforementioned critical issues and the initiation of the necessary corrective measures.

The Internal Control System is structured along three lines of defence:

- Line Controls (first level);
- Risk Monitoring (second level);
- Internal Auditing (third level).

The Risk Management department contributes to the second line of defence by reconciling the prerogatives of independence from line controls with close cooperation with the line controls that are responsible for the transactions concluded. The Risk Management department ensures that the Company's market, technical and operational risks are identified, assessed and controlled with a view to maintaining those risks within a limit that is consistent with the Company's assets, taking account of risk assumption, assessment and management policies as defined by the management body. It must also present adequate reports and provide timely and systematic information to Top Management and the Management Body.

The Risk Management department contributes to the formulation of the Investment Policy of companies from the Insurance Group and, on the basis of the Fair Value Policy, defines the models used for assessing financial assets. The risk control model is gradually evolving from an approach based on ex post measurement after the event to one based on prior verification. In addition to controls that can be implemented in real time, the Risk Management department carries out daily, weekly and monthly controls, which are promptly submitted to Top Management and the Management Body.

The progression of the Insurance Group companies to compliance with the Solvency II directive is also supported by the central role of the Risk Management department in project and measuring activities and in relations with the Authorities.

PRINCIPAL RESULTS OF THE RISK MANAGEMENT STRATEGY

The strategic priority afforded to the gradual exclusion of risks and their on-going monitoring and management has achieved important results:

- the guarantees provided have been reviewed as part of the product definition process:
  - fixed-term guarantees for annually consolidated guarantees;
  - structuring of products and new commercial range in order to reduce the levels of minimum guaranteed return, favouring capital protection for guarantee levels that limit flexibility and the potential results of financial management;
  - window products (Orizzonte 7 Anni – 7 Year Horizon – and Obiettivo Valore Sicuro – Secure Value Objective) with guaranteed capital in the event of early surrender and guarantees of the minimum guaranteed return in the event of early death.

  These products optimise the capital profile under the Solvency II regime and have generated improved performance for Policyholders compared to the old generation products. The results obtained are particularly positive with 27% of product assets coupled with segregated funds represented by new business from the last financial years along with support from new business dynamics, also during the first weeks of 2014;
- as part of the management of the interest rate and spread risk the duration of assets was maintained lower than the duration of liabilities, mitigating the reinvestment risk through a continuous reduction of average minimum guarantee levels for assets under management;
- as part of the management of the credit risk a policy was implemented involving diversification and reduction of issuer exposure which, with the exception of the bonds of the Republic of Italy, the Federal Republic of Germany and the ultimate parent Intesa Sanpaolo, at no time exceed overall exposure of 1%;
- exposure has been contained as part of management of the equity risk;
- as part of management of the surrender risk, in addition to maintaining close monitoring of the dynamics and net cash flow for each asset under management, adequate liquidity was maintained in order to cover unforeseen outcomes without necessarily having to make unplanned divestments;
- in order to mitigate the liquidity risk in 2013, efforts continued to focus the investment portfolio on actively traded instruments which can be liquidated by divesting positions comprised of structured instruments or that were not associated with sufficiently liquid trading markets;
- as part of the management of derivative financial instruments, in keeping with the policy of focusing investments on liquid instruments that are priceable and have measurable risks, the parent of the insurance group operated as a matter of preference on explicit derivative instruments adequately linked to primary financial instruments with the goal of mitigating interest rate risks (IRS, futures, forwards), exchange rate risks (CDS and forwards) and credit spread risks (CDS);
- as part of the management of operating risks, company processes associated with the management of revenue collection and the liquidation of Group companies were boosted: after implementing the on line front end for Distribution Networks in 2012, the parent company concluded front end investments in 2013, ensuring the implementation of certain Risk Management controls prior to the conclusion of negotiations as well as ensuring on-going control of delegated powers.

These results were appreciably reflected in the stress test results and economic capital measurements made by the parent of the insurance group and the improvement of the quality factor measured by the Internal Audit Unit, all within the context of an asset management that achieved greater levels of profitability than the previous financial year.

Further quantitative and qualitative elements relating to risk management are contained in part G of the Notes to the financial statements entitled “Information on risks”.

THE CONTRIBUTION OF THE INTESA SANPAOLO VITA INSURANCE GROUP TO THE ULTIMATE PARENT

The contribution of the Intesa Sanpaolo Vita Insurance Group to Intesa Sanpaolo Group is comprised principally of the profit from Insurance Business and commissions paid to the Distribution Networks.

(in millions of euro)

	31.12.2013			31.12.2012			Change		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Technical margin	**-13**	**40**	**27**	**3**	**13**	**16**	**-16**	**27**	**11**
Net earned premiums	11,157	206	11,363	4,871	165	5,036	6,286	41	6,327
Claims paid	-6,213	-98	-6,311	-6,874	-82	-6,956	661	-16	645
Net changes in insurance provisions	-6,136	-	-6,136	294	1	295	-6,430	-1	-6,431
Gains (losses) on investments related to policyholders	1,490	-	1,490	1,916	-	1,916	-426	-	-426
Net fees on investment contracts	91	-	91	75	-	75	16	-	16
Commission expenses and net fees on pension funds relating to insurance contracts	-372	-53	-425	-265	-64	-329	-107	11	-96
Other technical income and expense	-30	-15	-45	-14	-7	-21	-16	-8	-24
Net investment result	**648**	**20**	**668**	**649**	**22**	**671**	**-1**	**-2**	**-3**
Operating income from investments	*2,994*	*20*	*3,014*	*4,060*	*22*	*4,082*	*-1,066*	*-2*	*-1,068*
Net interest income	1,862	16	1,878	1,859	16	1,875	3	-	3
Dividends	49	2	51	39	-	39	10	2	12
Gains/losses on disposal	551	2	553	402	6	408	149	-4	145
Unrealized gains/losses	560	-	560	1,781	-	1,781	-1,221	-	-1,221
Portfolio management fees paid	-28	-	-28	-21	-	-21	-7	-	-7
Profit/loss related to third party underwriters of mutual funds									
Gains (losses) on investments related to policyholders	*-2,346*	-	*-2,346*	*-3,411*	-	*-3,411*	*1,065*	-	*1,065*
– of which insurance contracts	-1,423	-	-1,423	-1,655	-	-1,655	232	-	232
– of which unrealized gains/losses related to insurance contracts policyholders	-67	-	-67	-261	-	-261	194	-	194
– of which investment contracts	-856	-	-856	-1,495	-	-1,495	639	-	639
Total	**635**	**60**	**695**	**652**	**35**	**687**	**-17**	**25**	**8**

The profit from Insurance Business improved by 8 million euro, equal to 1.2%.

Considering the contribution of commissions paid to the Networks of Intesa Sanpaolo Group of around 541 million euro, the overall contribution to Intesa Sanpaolo Group revenue amounted to 1,243 million euro.

Further profits for Intesa Sanpaolo Group originated from the income earned by the associates Eurizon Capital and Banca IMI in relation to commissions paid by the Intesa Sanpaolo Vita Insurance Group for UCI, management activity and services.

These income captions were subject to marginal adjustments in the consolidated financial statements of the Insurance Group in relation to provisions for commission liabilities which, due to the different level of consolidation, need not be reported in the parents consolidated financial statements.

(in millions of euro)

	A	B	C	D	E
Net earned premiums	**11,363**	**11,158**	**205**	**-**	**11,363**
Gross earned premiums	*11.370*	*11.158*	*212*	*-*	*11.370*
Earned premiums ceded	*-7*	*-*	*-7*	*-*	*-7*
Commission income	266	266	-	-	266
Gains (losses) on financial instruments at fair value through profit and loss	204	203	1	30	234
Income from investments in subsidiaries, associates and joint ventures	0	-	-	-0	-
Income from other financial instruments and lands and buildings	**2,220**	**2,199**	**21**	**2**	**2,221**
Interest income	*1,813*	*1,797*	*16*	*-*	*1,813*
Other income	*50*	*48*	*2*	*2*	*52*
Gains on disposal	*357*	*354*	*3*	*-*	*357*
Unrealized gains	*-*	*-*	*-*	*-*	*-*
Other revenues	60	50	10	16	76
TOTAL INCOME	**14,112**	**13,876**	**236**	**48**	**14,160**
Net charges associated to claims	**-12,467**	**-12,365**	**-102**	**7**	**-12,460**
Net insurance benefits and claims	*-12,472*	*-12,365*	*-107*	*7*	*-12,465*
Reinsurers' share	*5*	*-*	*5*	*-*	*5*
Fee and commission expense	-168	-168	-	-	-168
Expenses from investments in subsidiaries, associates and joint ventures	-	-	-	-	-
Expenses from other financial instruments and lands and buildings	**-222**	**-220**	**-1**	**-8**	**-229**
Interest expense	*-13*	*-12*	*-*	*-*	*-13*
Other charges	*-0*	*-0*	*-0*	*0*	
Losses on disposal	*-209*	*-208*	*-1*	*-*	*-209*
Unrealized losses	*0*	*-*	*-*	*-8*	*-8*
Operating expenses	**-291**	**-243**	**-49**	**-125**	**-416**
Commissions and other acquisition costs	*-281*	*-229*	*-52*	*-42*	*-323*
Investment management expenses	*-28*	*-28*	*-*	*-21*	*-48*
Other administrative expenses	*18*	*14*	*4*	*-62*	*-44*
Other expenses	-270	-246	-25	-46	-316
TOTAL EXPENSES	**-13,418**	**-13,242**	**-176**	**-172**	**-13,590**
PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**695**	**635**	**60**	**-125**	**570**
Income taxes	0	-	-	-223	-223
PROFIT (LOSS) AFTER TAX FOR THE PERIOD	**695**	**635**	**60**	**-348**	**347**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	-	-		-
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**695**	**635**	**60**	**-348**	**347**

Key:
A = Income from Insurance Business B = detail of Income from Insurance Business – Life C = detail of Income from Insurance Business – Non-Life
D = Operating Costs – Revenues and income, costs and charges resulting from the consolidation of funds, vehicles and open ended investment companies – intercompany registrations
E = Consolidated income statement as at 31/12/2013

(in millions of euro)

	A	B	C	D	E
Net earned premiums	**5,036**	**4,872**	**164**	**-**	**5,036**
Gross earned premiums	*5,042*	*4,872*	*170*	*-*	*5,042*
Earned premiums ceded	*-6*	*-*	*-6*	*-*	*-6*
Commission income	263	263	-	-	263
Gains (losses) on financial instruments at fair value through profit and loss	887	886	1	174	1,062
Income from investments in subsidiaries, associates and joint ventures	-	-	-	-	-
Income from other financial instruments and lands and buildings	**2,118**	**2,095**	**23**	**2**	**2,119**
Interest income	*1,763*	*1,747*	*16*	*0*	*1,763*
Other income	*27*	*27*	*0*	*2*	*28*
Gains on disposal	*328*	*321*	*7*	*-0*	*328*
Unrealized gains	*-*	*-*	*-*	*-*	*-*
Other revenues	51	45	6	68	119
TOTAL INCOME	**8,355**	**8,162**	**194**	**244**	**8,599**
Net charges associated to claims	**-6,694**	**-6,608**	**-86**	**7**	**-6,687**
Net insurance benefits and claims	*-6,696*	*-6,608*	*-88*	*7*	*-6,689*
Reinsurers' share	*2*	*-*	*2*	*-*	*2*
Fee and commission expense	-157	-157	-	-24	-181
Expenses from investments in subsidiaries, associates and joint ventures	-	-	-	-	-
Expenses from other financial instruments and lands and buildings	**-414**	**-413**	**-1**	**-11**	**-425**
Interest expense	*-7*	*-7*	*-*	*-*	*-7*
Other charges	*-0*	*-0*	*-*	*-0*	*-0*
Losses on disposal	*-407*	*-406*	*-1*	*-0*	*-407*
Unrealized losses	*0*	*-*	*-*	*-10*	*-10*
Operating expenses	**-202**	**-142**	**-60**	**-135**	**-337**
Commissions and other acquisition costs	*-212*	*-149*	*-63*	*-40*	*-252*
Investment management expenses	*-20*	*-20*	*-*	*-21*	*-41*
Other administrative expenses	*29*	*26*	*3*	*-73*	*-44*
Other expenses	-201	-189	-12	-252	-453
TOTAL EXPENSES	**-7,668**	**-7,509**	**-159**	**-415**	**-8,083**
PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**687**	**652**	**35**	**-171**	**516**
Income taxes	-			-174	-174
PROFIT (LOSS) AFTER TAX FOR THE PERIOD	**687**	**652**	**35**	**-344**	**343**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-				
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**687**	**652**	**35**	**-589**	**343**

Key:
A = Income from Insurance Business B = detail of Income from Insurance Business – Life C = detail of Income from Insurance Business – Non-Life
D = Operating Costs – Revenues and income, costs and charges resulting from the consolidation of funds, vehicles and open ended investment companies – intercompany registrations
E = Consolidated income statement as at 31/12/2013

THE PRINCIPAL NEW PRODUCTS BROUGHT TO MARKET

2013 was characterised in all Group companies by the review and expansion of the existing product range.

In particular, during the first quarter of 2013 restylings were implemented of "Base Sicura" ["Secure Base"], the flagship product of the parent of the insurance group, and the product "Obiettivo Valore Sicuro – 12/2019" ["Secure Value Objective – 12/2019"], which was closed on 31 December 2012 and was reopened under the new name "Orizzonte 7 Anni 2013" ["7 Years Horizon 2013"], maintaining the same segregated funds and the same proposition and reference target clientele.

During April, in order to support the growing needs for security of customer investments, a new version was released of the class I product called "Prima Classe" ["First Class"], which aims to facilitate the conversion of assets from other products with the objective of improving the risk/return profile of customer portfolios.

In May the new product "Penso a Te" ["I'm thinking of you"] was launched, which is suited to customers who wish to give a set amount to a designated beneficiary at a set maturity, such as for example a grandchild.

During the last four months of the year, the parent supplemented catalogue investment life products with products dedicated for specific target clientele, with the objective first of enhancing the loyalty of existing customers and, secondly, of acquiring new customers. These include two single-premium products subject to revaluation "Signor Cliente" ["Mr Customer"] and "Risparmio 2.0" ["Saving 2.0"], dedicated respectively to Intesa Sanpaolo Vita customers who have held index linked products until maturity and to Intesa Sanpaolo customers who hold Assets under Administration products, but who do not hold segregated funds products.

In parallel with the marketing of dedicated products, in the last two months of the year, the Parent launched "Metto da Parte" ["I put something aside"] and "Mi Curo dei Miei" ["Looking after my family"], two products aimed at providing cover for specific needs such as accumulating savings and protecting the family. In particular, "Metto da parte" is a product involving the payment of regular premiums – monthly or annual – that is suited to customers who wish to put aside even small amounts in order to build up a capital sum for the future. The product features a bonus which, at the end of each five-year period, returns 50% of the percentage costs charged on premiums in the event that the terms of the plan have been complied with. On the other hand, "Mi Curo dei Miei" is a term life insurance product with fixed annual payouts and premiums, which is dedicated to those who intend to guarantee security for loved ones in the event of their own premature demise; it is characterised by a simple structure and ease of access thanks to the possibility to make payments by monthly direct debit.

The COVIP (Supervisory Commission for Pension Funds) authorisation process was concluded for the restyling of the pension product "Il mio futuro" ["My future"], launched towards the end of 2012, which provides for the possibility of spreading contributions at the same time over different investments.

Two communication campaigns were also launched and concluded in 2013 in relation to life and non-life insurance products and pension products. These initiatives are intended to improve the brand's positioning within the Insurance Group as part of the information campaign implemented by the ultimate parent Intesa Sanpaolo.

The subsidiary *Intesa Sanpaolo Life* launched significant projects during the year:

– the marketing of the new Unit-Linked single premium product called *Power*. Whilst the new product does not feature any guarantee that the capital will be repaid, or any mechanisms to protect the investment, it uses an innovative and sophisticated financial motor which makes it possible – subject to the VAR limits applied to the product – to identify the best financial strategies at the relevant time and to access the best asset classes/funds managed by the Group;
– the advanced stage of development and implementation of the new edition of the Unit-Linked Prospettiva product. This product is characterised by the inclusion of new investment solutions which will update the catalogue of products offered on the basis of best market practice, the rearrangement and simplification of the regime for calculating management fees and return payments to Sales Networks along with the inclusion of an innovative mechanism for favouring consistency between the interests of the policyholder and those of the Company.

With regard to non-life business, and in particular the subsidiary *Intesa Sanpaolo Assicura*, over the year the company pursued activities focusing on protection products dedicated to Italian families.

In particular, the review of ViaggiaConMe [TravelWithMe], the motor vehicle insurance which, alongside traditional insurance cover, also includes the use of a remote electronic device enabling immediate assistance to be provided around the clock in the event of an accident or breakdown, was pursued with a view to offering customers a constantly increasing quality of service; specifically, it is now possible to obtain a quote for the policy through the network of Intesa Sanpaolo branches and on its official website by inserting exclusively two items of information, the date of birth and number plate, which significantly reduces the amount of time necessary in order to obtain a quote. In addition, a new television advertising campaign was launched in February for the product, which followed up on that carried out during the last part of 2012, alongside the general company campaign for life and non-life products launched in December.

Credit protection products (*Creditor Protection Insurance*), which are distributed by Intesa Sanpaolo Group branches, developed significantly during the first part of the year. Specifically:
– in March distribution started of the product ProteggiConMe [ProtectWithMe], to replace the mortgage-related CPI product. The new product is a lifestyle product and has highly innovative content compared to those currently available on the market;
– the maximum age limits on CPI loans were increased, in accordance with the new modular loan of Intesa Sanpaolo;
– commission rates were reduced further.

The main activities carried out during 2013 in relation to preferred lines of business were the following:
– launch of the test stage for the new product intended for the housing market "aCasaConMe" ["atHomeWithMe"]. The product may be complemented by an innovative technological device which can detect dangerous situations or emergencies using sensors and thanks to a subscription to remote services;
– review of products marketed by Banca Fideuram on the basis of new regulations and legislation: "Tutela Salute" ["Health Protection"], "Tutela Casa" ["House Protection"] and "Tutela Multipla" ["Multiple Protection"];
– the introduction of a collective policy paired with savings plans offered by Eurizon Capital and the creation of a multi-function card providing access to services paired with healthcare products.

In addition, actions aimed at simplifying the range of products present within the Company's portfolio were continued, and those not strategic for business development were discontinued.

BUSINESS DURING THE FINANCIAL YEAR

During 2013, the Intesa Sanpaolo Vita Group reported total gross collection of 14,178.5 million euro for both life and non-life business and, in relation to the former, both products classified as insurance products as well as policies with strictly financial content. Business increased by 91% compared to the previous year (7,421.4 million euro as at 31 December 2012)

Gross life business amounted to 13,946 million euro, up 94% compared to the 7,199 million euro of the previous year. Gross non-life business amounted to 232 million euro, up 5% compared to the 222 million euro of the previous year. A positive trend may be seen both in funding from traditional products (+135%) as well as in relation to Unit-Linked financial products (+20%).

(in millions of euro)

	31.12.2013	31.12.2012	Change	
Collection from which premiums recorded:	**11,157.1**	**4,871.2**	**6,285.9**	**129.0%**
– Traditional (class I)	11,017.9	4,685.1	6,332.8	135.2%
– Unit Linked (class III)	23.3	21.2	2.1	9.9%
– Capitalisation (class V)	2.2	1.2	1.0	83.3%
– Pension funds (class VI)	113.7	163.7	-50.0	-30.5%
Collection from which premiums not recorded:	**2,789.1**	**2,328.3**	**460.8**	**19.8%**
– Index Linked (class III)	-	0.7	-0.7	n,a,
– Unit Linked (class III)	2,789.1	2,327.6	461.5	19.8%
Total Life business	**13,946.2**	**7,199.5**	**6,746.7**	**93.7%**

New life business in 2013, including the income from investments without discretionary participation features, amounts to 13,673 million euro, posting an increase of 99% compared to 2012 (6,883 million euro).

THE STRUCTURE OF DISTRIBUTION

The parent Intesa Sanpaolo Vita uses the branches of the Intesa Sanpaolo group in order to distribute its pension, savings and investment products. The distribution agreement, updated following completion of the merger in 2011, expires in 2021 with an option for renewal.

Intesa Sanpaolo Vita uses the bank branches of the Intesa Sanpaolo Group and the Distribution Network of Intesa Sanpaolo Personal Finance, formerly Neos Finance, in order to distribute Creditor Protection Insurance products.

The channel represented by the private bankers Banca Fideuram and Sanpaolo Invest Sim distributes almost exclusively the policies of the associate *Fideuram Vita*; in relation to Intesa Sanpaolo Vita, distribution by financial advisors is limited to the pension product "PIP Progetto Pensione" ["PIP Pension Project"] and the open pension fund "Sanpaolo Previdenza Aziende" ["Sanpaolo Corporate Pension"].

A distribution agreement is in place for *Intesa Sanpaolo Life* products with the broker Marsh, which operates in Italy and Slovakia on the basis of reports provided by the Network of bank branches of the Intesa Sanpaolo Group and the Networks of financial advisors of the Banca Fideuram Group.

Finally, for *Intesa Sanpaolo Assicura*, the company's main distribution channel is provided by the branches of the Intesa Sanpaolo Group, in addition to the commercial agreement with Intesa Sanpaolo Personal Finance (a financial company falling within the scope of consolidation of the Group), alongside the continuing distribution agreement with financial advisors belonging to networks of the Banca Fideuram Group. Intesa Sanpaolo Assicura also distributes over the internet.

REINSURANCE POLICY

During 2013, with a view to containing exposure on specific portfolios, the Parent Intesa Sanpaolo Vita concluded reinsurance contracts both on a proportional and an excess of loss basis for products providing cover in the event of death and complementary guarantees to pension products. Moreover, an excess of loss agreement was concluded for catastrophic risks relating to the retained element of all portfolios.

Moreover, other run off agreements continue to apply, both on a proportional and an excess of loss basis for life insurance policies and certain guarantees in non-life business (temporary partial inability and operation allowance/daily inpatient payment).

The reinsurer with the lowest rating holds S&P A+, in line with the Framework Resolution which provides for a minimum rating of A.

As regards *Intesa Sanpaolo Assicura*, the portfolio is protected by non-proportional excess of loss agreements in order to contain excessive and catastrophic exposure; retention has been reduced through proportional cover exclusively in relation to specific guarantees or products.

Whilst continuing to assess the opportunities offered by the market, the Group does not actively engage in reinsurance.

All agreements have been concluded with primary specialist operators and comply with the guidelines on passive reinsurance (laid down in ISVAP [Italian Supervisory Body for Private Insurance] circular 574/D of 2005) approved by the Boards of Directors of the individual Companies.

Recourse to optional reinsurance is limited to the rare cases in which the risk does not fall under existing reinsurance contracts.

RESEARCH AND DEVELOPMENT

Activities under the "Solvency II" project continued during the year. The new "Solvency II" Directive provides that the solvency capital requirement of the company corresponds to the economic capital it must hold in order to limit the probability of ruin to 0.5% in any given year, that is to limit the frequency of insolvency events to once every 200 years. This "Solvency Capital Requirement" may be calculated using a standard formula, or using an internal model.

In particular, the parent has participated in the exercise known as the "Long-Term Guarantees Assessment" (LTGA), by which the European supervisory authority (EIOPA), acting in concert with the national supervisory authorities, including the IVASS, requested European insurance companies in January 2013 to test the efficacy of certain anti-cyclical measures to be used under conditions of market stress, in order to identify possible solutions capable of offsetting the effects of the artificial volatility of market spreads on capital requirements imposed on companies under the Solvency II regime. The exercise was carried out with reference to the valuation dates of 31 December 2011 and 31 December 2012; in parallel, the Group carried out further stress test assessments on the solvency capital requirement.
In addition to the LTGA test, Intesa Sanpaolo Vita contributed to calibration measurements first according to the "Volatility Adjustment" methodology and thereafter the "Volatility Balancer" methodology.

With regard to the "Solvency II" stress test performed in the spring with valuation date 31/12/2012, the Group highlighted a solvency ratio higher than the corresponding ratio under the Solvency I regime. Nevertheless, the capital position under stress was in any case higher than 118%, applying once again the metrics resulting from the LTGA and not the volatility adjustment methodology.

As regards the development of legislation on the new capital regime applicable to insurance companies, an agreement was reached last November with the European Trilogue – European Parliament, European Council and European Commission – which paved the way for the entry into force on 1 January 2016 of the new Solvency II legislation on the solvency of insurance companies. In fact, a convergence has been found around certain points of undoubted relevance, which were widely debated prior to the agreement, including specifically:
- adjustments in order to contain the effect of financial volatility ("Volatility Adjustment"): this measure will be based on a percentage of the spread component representing the currency risk supplemented, under certain conditions, by the spread component representing the country risk. According to current information, this measure should be applied irrespective of the specific market conditions on the valuation date to all portfolios, subject to a few exceptions (for example, the unit-linked portfolio);
- period of application of transitory measures: the application period for transitory measures has been set at 16 years, with a view to facilitating the transition from the old to the new legislative regimes immediately after the application of Solvency II.

In any case, the new European Omnibus II directive will have to be supported by the definition and officialisation of level II and III implementation measures.

The entry into force on 1 January 2016 will also be preceded by an initial preparatory stage: preparatory guidelines recently issued by EIOPA to the competent national authorities stipulate a range of fundamental prerequisites, which need to be adopted by insurance companies over the 2014-2015 two-year preparatory stage; these prerequisites relate specifically to the governance policies and the system of governance, ex ante risk assessment and capital management processes and the transmission of information (reporting) to national authorities, all with reference to the new prudential regulation. To that effect, on 14 January IVASS launched a public consultation exercise, which was concluding at the end of February, concerning the standard letter for the Italian market introducing the EIOPA guidelines concerning those points.

The subsidiary *Intesa Sanpaolo Life* has pursued projects aimed at the review of Corporate Governance in the light of Solvency II and simplification of the operating processes and payment arrangements in order to contain operational risks within a perspective of optimising prerequisites under the new Solvency II regime.

The activities of the subsidiary *Intesa Sanpaolo Assicura* alongside Solvency II were focused on action necessary in order to comply with new legislation and regulations. Activities were also focused on the realisation of a research plan in order to enable the on-going monitoring of the placement of products offered compared to competitors and in order to enable potential new areas for development to be analysed.

Moreover, on the management level the Group also concluded the adaptation of all processes affected by the tax changes resulting from the application of Italian Law Decree no. 138 of 2011 (taxation of financial income) and Italian Law Decree no. 201 of 2011 converted into Italian Law no. 214 of 22 December 2011 (Stamp duty on statements of account, special and extraordinary tax on expired policies).

STAFF

As at 31 December 2013, the Parent and its subsidiaries had 520 employees, 2 less than the end of the previous year. The Intesa Sanpaolo Vita Group has 25 resources seconded from other companies of the Intesa Sanpaolo Group; it also has 7 employees who are seconded to other companies of the Intesa Sanpaolo Group.

	Intesa Sanpaolo Vita	Intesa Sanpaolo Life	Intesa Sanpaolo Assicura	Smart Care	Total
Employees	339	50	112	-	501
– Directors	9	2	6	-	17
– Officials	141	7	40	-	188
– Office staff	189	41	66	-	296
Staff seconded from other companies from the Intesa Sanpaolo Group	14	1	10	-	25
Staff seconded to other companies from the Intesa Sanpaolo Group	6	-	1	-	7
Total	**347**	**51**	**121**	**-**	**519**
Other contractual forms	1	-	-	-	1
General total	**348**	**51**	**121**	**-**	**520**

PRINCIPAL REGULATORY DEVELOPMENTS IN 2013

SECTORAL LEGISLATION

The main regulatory changes which affected insurance companies operating in the life business were the following:

- **IVASS Regulation no. 1 of 8 October 2013**, Regulation no. 1 of 8 October 2013 on the procedure for imposing administrative fines.
- **IVASS Regulation no. 2 of 8 October 2013** on the procedure for applying disciplinary sanctions against insurance and reinsurance brokers and the provisions on the operation of the guarantee panel under Title XVIII (sanctions and disciplinary procedures), Chapter VIII (recipients of disciplinary sanctions and procedures) of Italian Legislative Decree no. 209 of 7 September 2005 – Italian Private Insurance Code.
- **IVASS Regulation no. 3 of 5 November 2013** on the implementation of the provisions laid down in Article 23 of Italian Law no. 262 of 28 December 2005 on procedures leading to the adoption of regulatory and general acts by IVASS.
- **IVASS Regulation no. 4 of 17 December 2013** on the compulsory winding up of insurance companies pursuant to Title XVI (safeguard measures, restructuring and winding up), Chapter IV (compulsory winding up) of Italian Legislative Decree no. 209 of 7 September 2005 – Italian Private Insurance Code.
- **IVASS Measure no. 7 of 16 July 2013** laying down provisions on the management of online insurance relations (known as "Home Insurance"). The provision stipulates the organisational prerequisites under Article 30 of Italian Legislative Decree no. 209 of 2005 (Insurance Code) which provides for the inclusion in company websites of dedicated reserved areas for each policyholder, through which it is possible to consult existing insurance cover, the contractual terms agreed to, the payments situation and the relative due dates and, for life policies only, the redemption values and updated valuations. The goal of the provision is principally to favour the more effective management of insurance relations, exploiting the telematic communication channel as an instrument for enhancing transparency and simplifying the relationship between the company and the policyholder. The provisions entered into force on 1 September 2013. The deadline before which companies must comply with the above has been set at 1 November 2013 for new contracts (i.e. those issued from 1 September onwards), whilst for contracts concluded prior to 1 September 2013 it is necessary to draw up an adjustment plan before 31 December 2013, which must be implemented before 30 April 2014.
- **IVASS Measure no. 14 of 28 January 2014** laying down amendments and supplements to Regulation no. 7 of 13 July 2007 on standard formats for the financial statements of insurance and reinsurance companies which are obliged to adopt the International Accounting Standards referred to under Title VIII (Financial statements and accounting records), Chapter I (General provisions applicable to financial statements), Chapter II (The separate financial statements), Chapter III (The consolidated financial statements) and Chapter V (Independent Auditing) of Italian Legislative Decree no. 209 of 7 September 2005 – Italian Private Insurance Code.

With regard to the non-life business, the lump-sum amounts for direct compensation stipulated by the ministerial Technical Committee (pursuant to Article 13 of Italian Presidential Decree no. 254 of 2006) on the basis of the differentiation criteria laid down by the Decree of the Minister of Economic Development of 11 December 2009 were amended with effect from 1 January 2013.
It is recalled in this respect that the lump-sum structure remained unchanged compared to 2012, as no measure had yet been adopted to implement Article 29 of Italian Law no. 27 of 2012.
The said structure is briefly summarised below:
– Single CID convention for direct indemnity [amicable accident report] lump sum (damage to property + personal injury to the driver) divided into 3 territorial groups according to the type of four-wheeled motor vehicle (i.e. vehicles other than mopeds and motorcycles: passenger cars, trucks, minivans, buses and public works vehicle).
– Single CID lump sum (damage to property + personal injury to the driver) divided into 3 territorial groups according to the type of two-wheeled motor vehicle (mopeds and motorcycles).
– Lump sum for third party transported on board four-wheeled motor vehicles.
– Lump sum for third party transported on board two-wheeled motor vehicles.

For accidents occurring after 1 January 2013, amounts due are to be offset between companies with reference to the following figures:
– Lump sum CID for four-wheeled motor vehicles – for damage to four-wheeled motor vehicles and items transported belonging to the owner or driver of the vehicle, from the following lump sums distinguished according to three geographical macro-areas:
  - Territorial group 1: 2,239 euro
  - Territorial group 2: 1,930 euro
  - Territorial group 3: 1,683 euro.
– Lump sum CID for two-wheeled motor vehicles belonging to the owner or driver of the vehicle, from the following lump sums distinguished according to three geographical macro-areas:
  - Territorial group 1: 4,079 euro
  - Territorial group 2: 3,740 euro
  - Territorial group 3: 3,455 euro.
– Lump sum for third party transported on board four-wheeled motor vehicles – damage up to the limit of 5,000 euro suffered by a third party transported on four-wheeled motor vehicles will be subject to a lump sum payment of 2,990 euro, with an excess of 500 euro. In the event of damage for an amount exceeding the limit of 5,000 euro suffered by the third party transported on board a four-wheeled motor vehicle, the amount paid shall include the lump sum of 2,990 euro in addition to the difference between the damage actually compensated and the said limit – an excess of 10%, up to a maximum of 20,000 euro, to be calculated on the amount of compensation.
– Lump sum for third party transported on board two-wheeled motor vehicles – damage up to the limit of 5,000 euro suffered by a third party transported on two-wheeled motor vehicles will be subject to a lump sum payment of 3,700 euro, with an excess of 500 euro. In the event of damage for an amount exceeding the limit of 5,000 euro suffered by the third party transported on board a two-wheeled motor vehicle, the amount paid shall include the lump sum of 3,700 euro in addition to the difference between the damage actually compensated and the said limit – an excess of 10%, up to a maximum of 20,000 euro, to be calculated on the amount of compensation.

TAX LEGISLATION

The introduction on 30 November 2013 of the additional rate of IRES [corporate income tax] of 8.5% through Italian Law Decree no. 133 of 2013 (converted into Italian Law no. 5 of 29 January 2014) was particularly significant. This additional element entails an increase in the rate of IRES to 36% which, along with nominal IRAP [regional tax on productive activities] of 6.82%, takes the nominal rate of taxation above 43%.

Further initiatives were introduced involving the reduction in the maximum limits to the deductibility of insurance premiums under Article 12 of Italian Law Decree no. 102 of 31 August 2013 (converted into Italian Law no. 124 of 28 October 2013). There is still uncertainty at the moment regarding the amendments made to the percentage rates of tax relief (from 19% to 18% in 2014 and from 19% to 17% in 2015) introduced by paragraphs 575 and 576 of Italian Law no. 147 of 2013 in the event that the planned reorganisations are not implemented. The Ministry for the Economy and Finance has announced that it will take steps to repeal paragraph 576, thereby removing the automaticity in the reduction of the percentage rates of tax relief.

INSURANCE CONTRACTS PREMIUMS AND CLAIMS PAID

Net from reinsurer', the premiums registered by the group in 2013 in relation both to life and non-life business amount to 11,370.1 million euro. The premiums registered increased compared to the previous year by 126%. This increase affected life business, above all in relation to premiums for financial products with DPF.

(in millions of euro)

	31.12.2013				31.12.2012			
	First year	Subsequent years	Single premiums	Total	First year	Subsequent years	Single premiums	Total
Life insurance products without DPF	1.5	36.6	308.3	**346.4**	1.3	50.8	336.6	**388.8**
Life insurance products with DPF	-	66.0	12.4	**78.4**	-	79.1	11.5	**90.6**
Life financial products with DPF	0.7	133.0	10,598.6	**10,732.3**	0.1	141.2	4,250.5	**4,391.8**
Non-life insurance products (*)				**213.0**				**171.0**
Total	**2.2**	**235.6**	**10,919.3**	**11,370.1**	**1.5**	**271.2**	**4,598.6**	**5,042.2**

(*) premiums for period

The claims paid in the life business fell by 11%, moving from 6,965.3 million euro in 2012 to 6,199.4 million euro in 2013. The claims paid in non-life business increased by 22%, moving from 60.3 million euro in 2012 to 73.5 million euro in 2013. The increase in non-life business is due to the increase in the size of the policy portfolio, which on the other hand reported a falling loss ratio in relative terms (moving from 52.0% in 2012 to 49.4% in 2013). Claims from reinsurers amount to 0.7 million euro for life business and to 3.8 million euro for non-life business.

(in millions of euro)

	Claims	Annuities	Surrenders	Maturities	Liquidation costs	Total
Insurance products without DPF	-130.2	-	-909.9	-819.1	-14.6	-1,873.8
Insurance products with DPF	-15.0	-6.4	-74.2	-77.9	-	-173.5
Financial products with DPF	-1,110.1	-0.1	-2,636.0	-405.9	-	-4,152.1
Non-life business insurance products						-73.5
Total 2013	**-1,255.3**	**-6.5**	**-3,620.1**	**-1,302.9**	**-14.6**	**-6,272.9**
Insurance products without DPF	-159.1	-0.0	-1,178.7	-1,192.2	-26.3	-2,556.4
Insurance products with DPF	-14.4	-6.8	-81.4	-99.9	-	-202.6
Financial products with DPF	-909.7	-0.1	-2,805.3	-491.4	-	-4,206.4
Non-life business insurance products						-60.3
Total 2012	**-1,083.2**	**-6.9**	**-4,065.3**	**-1,783.5**	**-26.3**	**-7,025.6**

COMMISSIONS

Net commissions in relation to financial products without a discretionary participation in features, comprised of index-linked policies and financial unit-linked policies, amounted to 97 million euro, up 18% compared to 2012 (81.9 million euro). The increase in the net balance relates to unit-linked products, since the portfolio of index-linked products is gradually maturing.

For details, please refer to the Notes to the consolidated financial statements.

FINANCIAL INCOME AND EXPENSE

The net income earned from financial instruments fell to 2,226 million euro, compared to 2,756.2 million euro in 2012. The negative change of 19% is principally due to the reduction of 827.6 million euro in the net income from financial assets at fair value through profit or loss, which moved from 1,061.6 million euro in 2012 to 234 million euro in 2013. The change, which predominantly relates to assets providing cover for provisions of index- and unit-linked products, is a direct consequence of the market's performance over the year. As regards other investment components, a result for the year of 1,992 million euro is reported, comprised of 1,888 million euro of available-for-sale financial assets, 112.2 million euro of cash and cash equivalents and -8 million euro of other instruments and investments.

COMMISSIONS AND MANAGEMENT FEES

Commissions and management fees increased during the year by a total of 323.3 million euro, a rise of 28% compared to the 252 million euro in 2012. This increase reflects business recovery. In fact, the increase in premium collection is due to commercial activities conducted through the Distribution Networks which, amongst other things, enabled the product range to be refined – a particularly welcome measure. Also the enhanced quality of service over the last two years indirectly improved the perception of the quality and efficiency of the Companies, with potential effects also in future.

Other administrative expenses were also in line with the previous year, moving from 44.1 to 44.4 million euro, whilst investment management costs increased from 40.9 to 48.4 million euro as a consequence of the reinforcement of support for investment management.

Thanks to the reduction of management fees, the impact of commissions and other expenses on total premium collection was 2.8% compared to 5.0% in 2012.

The impact of other administrative expenses on total premium income was around 1% compared to around 2% in 2012.

OTHER REVENUE AND EXPENSES

Other net revenue fell by -240.3 million euro, compared to a fall of -333.9 million euro in 2012. The variation was principally due to the lower share of the negative result of consolidated mutual investment funds attributable to third parties, which was 30 million euro in 2013 compared to 174 million euro in 2012.

STATEMENT OF FINANCIAL POSITION AND FINANCIAL FIGURES

INVESTMENTS

The portfolio of financial investments amounts to 78,917 million euro (up 8% compared to 31 December 2012) and comprised 69% of securities available for sale, 29% of securities designated at fair value and the remainder principally of financial assets held for trading.

(in millions of euro)

	31.12.2013		31.12.2012		Change	
Financial assets available for sale	54,649.3	69.2%	43,671.9	59.9%	10,977.4	25.1%
Financial assets measured at fair value	23,110.8	29.3%	27,778.5	38.1%	- 4,667.7	-16.8%
Financial assets held for trading	1,059.2	1.3%	1,290.2	1.8%	- 231.0	-17.9%
Land and buildings	19.6	0.0%	19.7	0.0%	- 0.1	-0.5%
Investments in subsidiaries, associates and joint ventures	-	0.0%	13.2	0.0%	- 13.2	n.a.
Loans and receivables	78.1	0.1%	89.6	0.1%	- 11.5	-12.8%
Total	**78,917.0**	**100%**	**72,863.1**	**100%**	**6,053.9**	**8.3%**

The groups investment transactions were conducted in 2013 in line with the guidelines specified in the Finance Policy of the Group Companies and in particular in accordance with the general principles of prudence and enhancement of the quality of assets from a medium and long-term perspective. Against the backdrop of global financial markets which, whilst maintaining a progressive trend of improvement and the gradual resolution of the euro financial crisis, have maintained high levels of volatility leading to choices over positioning within situations that are difficult to interpret, the Group continued to pursue a policy aimed at limiting the financial risk whilst at the same time maintaining a level of profitability that is commensurate with the commitments made to insured parties.

The component comprised of bonds and fixed income securities continues to be significant, accounting for 83% of the total. The bond portfolio is comprised of securities issued by the Italian government, by foreign governments, by international bodies, by national banks and corporate securities distributed over a broad range of issuers, including in particular companies from the Eurozone.

EQUITY

At the end of 2013 the Group reports equity of 4,329.3 million euro, including profit for the year of 346.7 million euro, compared to equity at the start of the year of 4,577.9 million euro.

Due to the different net market values compared to the carrying amounts, a unrealized gains of 321 million euro was recognised in the unrealized gains reserve related to available for sales financial assets, compared to a positive figure of 252.7 million euro at the end of 2012.

During 2013, in addition to the variation mentioned above in the unrealized gains reserve and the contribution of profit for the year, the variation in capital and reserves attributable to the Group was influenced by the repayment by Intesa Sanpaolo Vita to the ultimate parent Intesa Sanpaolo of 275 million euro relating to payments against a future capital increase made during the previous years and the distribution to shareholders of 388.4 million euro from the extraordinary reserve. Further information relating to the changes in equity is provided in the section on non-recurring transactions and capital management.

(in millions of euro)

	31.12.2013	31.12.2012	Change
Capital and reserves attributable to the Group	**4,329.3**	**4,577.9**	**-5.4%**
Group capital and reserves	3,661.6	3,982.4	-8.1%
Gains (losses) on financial assets available for sale	321.0	252.7	27.1%
Profit (loss)	346.7	342.8	1.1%

GROUP SOLVENCY

The group solvency ratio (Solvency I ratio), defined as the ratio of the available margin to the required margin, confirms the Group's capital solidity. This ratio was 189.6% at the end of the financial year (189.1% as at 31 December 2012), resulting in a surplus of 2,089.2 million euro. It should be specified that the Group has not availed itself of the option provided for under Article 4(1) of ISVAP Regulation no. 43 of 12/7/2012.

LIABILITIES TO POLICYHOLDERS

Liabilities to policyholders, which include technical provisions from life and non-life business as well as financial liabilities from the life business, move from 68,215.6 million euro as at 31 December 2012 to 75,216.1 million euro (+10%).

Technical provisions and financial liabilities after accounting for deferred liabilities to policyholders in life business moved from 67,796.5 million euro as at 31 December 2012 to 74,741.2 million euro as at 31 December 2013 (+10%).

Insurance provisions

Insurance provisions for life business increased by 14.2%. The increase is attributable to the revaluation of benefits to policyholders, the performance of productive aggregates and the transformation of Index-Linked contracts which, as a result of the portfolio movement implemented through the "Prima Classe" product, resulted in new investments in class C.

There was a 13% increase for non-life business from 419.2 million euro to 474.9 million euro.

Deferred liabilities towards policyholders incorporating the share of the variation in the fair value of investments attributable to policyholders increased from 136.3 million euro to 1,307 million euro.

Financial liabilities

Financial liabilities fell by 1.6% from 17,078.7 million euro at the end of the previous year to 16,813.7 million euro at the end of 2013. This change is principally attributable to the contribution of business and portfolio movements. It also incorporates market movements in investments to which those liabilities are related.

(in millions of euro)

	31.12.2013	31.12.2012	Change
Liabilities due to policyholders for Life segment	**74.741,2**	**67.796,5**	**10,2%**
Insurance provisions and financial liabilities:	73.434,2	67.660,2	8,5%
traditional	53.524,7	45.977,8	16,4%
– of which financial liabilities	-	-	*n.a.*
– of which insurance provisions	*53.524,7*	*45.977,8*	*16,4%*
linked	19.909,5	21.682,4	-8,2%
– of which financial liabilities	*16.813,7*	*17.078,7*	*-1,6%*
– of which insurance provisions	*3.095,8*	*4.603,6*	*-32,8%*
Deferred liabilities due to policyholders	1.307,0	136,3	859,1%
Insurance provisions for non-life segment	**474,9**	**419,2**	**13,3%**
Provision for unearned premiums	311,9	288,2	8,2%
Provision for outstanding claims	162,3	127,7	27,1%
Other insurance provisions	0,7	3,2	-78,3%
Liabilities due to policyholders	**75.216,1**	**68.215,6**	**10,3%**

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

This chapter summarises the criteria used by the Group to measure the fair value of financial instruments. As already illustrated in the criteria for the preparation of this Report, the application of IFRS 13 governing fair value measurement and related disclosure became mandatory from 1 January 2013.

The new standard does not extend the scope of application of fair value measurement. The aim, in fact, was to "concentrate" into a single standard the rules for measurement at fair value previously contained in various standards, in some cases with prescriptions in conflict with one another.

The fair value is the price that would be received to sell an asset to transfer a liability in an orderly transaction between market participants (i.e. not as part of a forced liquidation or distress sale) as at the measurement date. Fair value is a market-based measurement that is not entity-specific.

An entity has to measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market operators act in their economic best interest.

In determining the fair value of a financial instrument, IFRS 13 establishes a hierarchy of criteria based on the origin, type and quality of the information used in the calculation. The aim of this classification is to establish a hierarchy in terms of reliability of the fair value based on the level of discretion applied by entities, giving precedence to the use of market-observable parameters that reflect the assumptions that market operators would make in pricing the asset or liability. The hierarchy also aims to increase consistency and comparability in fair value measurements.

Three different levels of input are identified:
- **Level 1:** input represented by quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2:** input other than quoted prices included within Level 1 that are observable for the assets or liability either directly or indirectly;
- **Level 3:** unobservable input for the asset or liability.

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: highest priority is attributed to quoted prices (level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments prices (level 2) and lowest priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (level 3).

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.

The valuation process of financial instruments (which is governed within Intesa Sanpaolo Group by the "Fair Value Policy") entails the following phases:
- *identification of the sources for measurements:* for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
- *certification and treatment of market data for measurements:* this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
- *certification of pricing models and Model Risk Assessment:* this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement;
- *monitoring consistency of pricing models over time:* periodical monitoring of the adherence to the market of the pricing model in order to discover any gaps promptly and start the necessary verifications and interventions.

The Fair Value Policy also provides for adjustments to reflect the model risk and other uncertainties relating to valuation. In particular, the model risk is represented by the possibility of a different fair value of a specific instrument could be driven by using a different model. In particular, model risk is represented by the possibility that the valuation of a complex instrument is materially influenced by the model chosen. Indeed, it is possible that models using price elementary instruments with the same quality may give rise to different prices for exotic instruments. In these cases, where possible, alternative models are compared, and where necessary, model inputs are subjected to stress tests, thus obtaining useful elements to quantify fair value adjustments, expressed in terms of measurable financial indicators (vega, delta, correlation shift), and periodically reviewed. These fair value adjustments, due to model risks, are part of a Mark to Market Adjustment Policy adopted for the purpose of considering, in addition to model risk described above, also other factors eligible to influence valuation and essentially attributable to:
- high and/or complex risk profile;
- position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration) and
- valuation difficulties due to the lack of liquid and observable market parameters.

For additional details on the fair value measurement criteria, see the disclosure provided in the Notes to the consolidated financial statements.

The details are provided in the annexes to the Notes to the consolidated financial statements entitled "Assets and liabilities measured at fair value on a recurring and non-recurring basis: fair value by level" and "Assets and liabilities not measured at fair value: fair value by level".

The amounts of securities transferred to a different level of fair value are specified below:

(in thousands of euro)

	Transfers among levels as at 31.12.2013					
	to Level 1		to Level 2		to Level 3	
	from Level 2	from Level 3	from Level 1	from Level 3	from Level 1	from Level 2
Financial assets held for trading	1,083	1,363	687	172		
Financial assets designated at fair value through profit and loss	46,152	16,288	13,376	45,017	66,336	
Financial assets available for sale	369,519	25,873	86,709	154,473	5,720	159,781
Hedging derivatives						
Financial assets measured at fair value through profit and loss	**416,754**	**43,524**	**100,772**	**199,662**	**72,056**	**159,781**
Financial liabilities held for trading						
Financial liabilities designated at fair value through profit and loss						
Hedging derivatives						
Financial assets/liabilities at fair value	**-**	**-**	**-**	**-**	**-**	**-**

BUSINESS AREAS

The Insurance Group operates principally in life business, whilst the contribution of non-life business is gradually growing.

The Insurance Group operates in Italy and, on a marginal basis, in other European Union Member States. The activity carried on in other countries is conducted entirely by the subsidiary Intesa Sanpaolo Life. Therefore, the minimum thresholds above which information must be presented broken down according to geographical area have not been reached.

For details regarding the capital and economic data relating to the two life segments, please refer to the relative annexes to the Notes to the consolidated financial statements. The following paragraphs discuss the performance of the two business segments during the year.

LIFE BUSINESS

Insurance Business

The year registered business of 13,946.2 million euro, including both premiums relating to insurance products and financial products with discretionary participation features, as well as gross funding from financial products without a discretionary participation feature.

Funding increased by 94% compared to the previous year.

(in thousands of euro)

	31.12.2013	31.12.2012	Change	
Collection from which premiums recorded:	**11,157.1**	**4,871.2**	**6,285.9**	**129.0%**
– Traditional (class I)	11,017.9	4,685.1	6,332.8	135.2%
– Unit Linked (class III)	23.3	21.2	2.1	9.9%
– Capitalisation (class V)	2.2	1.2	1.0	83.3%
– Pension funds (class VI)	113.7	163.7	-50.0	-30.5%
Collection from which premiums not recorded:	**2,789.1**	**2,328.3**	**460.8**	**19.8%**
– Index Linked (class III)	-	0.7	-0.7	n,a,
– Unit Linked (class III)	2,789.1	2,327.6	461.5	19.8%
Total Life business	**13,946.2**	**7,199.5**	**6,746.7**	**93.7%**

At the end of 2013 more than 3 million policies had been signed by group policyholders, down 31% compared to 31 December 2012. The variation is due to the sale of the business line by Intesa Sanpaolo Vita to Cardif Assicurazione and other less significant changes.

The following paragraphs set out changes in contracts relating to the Life portfolio:

(in thousands of euro)

	Contracts as at 31.12.2012	New contracts	Other inflows	Payments and maturities	Other outflows	Contracts as at 31.12.2013
Contracts under IFRS4	**4,038,447**	**456,409**	**42,188**	**428,712**	**1,378,839**	**2,729,493**
– Traditional	1,027,958	214,777	42,188	62,364	18,767	1,203,792
– Capitalisation	3,964	2	-	1,066	-	2,900
– Pension	48,531	18,630	-	331	27,064	39,766
– F.I.P.	46,324	-	-	3,859	4,219	38,246
– Temporary Death Policies	2,664,317	222,909	-	276,566	1,327,692	1,282,968
– Open–Ended Pension Funds	36,973	91	-	667	1,097	35,300
– Unit Linked	35,306	-	-	9,289	-	26,017
– Index Linked	175,074	-	-	74,570	-	100,504
Contracts under IAS39	**405,076**	**33,917**	**135**	**88,029**	**-**	**351,099**
– Specific financing	**552**	**-**	**-**	**-**	**-**	**552**
– Unit Linked	314,431	33,917	18	53,069	-	295,297
– Index Linked	90,093	-	117	34,960	-	55,250
Total	**4,443,523**	**490,326**	**42,323**	**516,741**	**1,378,839**	**3,080,592**

The changes in contracts take account of portfolio changes related to the transformation, mentioned above, of Index Linked contracts concluded during the year by the parent Intesa Sanpaolo Vita.

The insurance benefits and claims, including the adjustment of insurance provision, total 12,358 million euro, registering an increase compared to the 6,601 million euro reported in the previous year. This performance results from the combined effect of the containment of payments made and the increase in insurance provisions, due principally to favourable commercial performance.

As regards the composition of payments, charges due to claims increased by 16%, whilst the propensity of Policyholders to surrender fell, with surrenders decreasing by 11% compared to the previous year.

The change in provision for outstanding claims totalled -29.3 million euro. The fall in mathematical provisions after accounting for the reinsurers' share amounts to 7,588 million euro, whilst the fall in provisions resulting from pension fund management (notwithstanding that the investment risk is borne by insured parties) is equal to 1,508 million euro. The change in other insurance provisions at the end of the year, after accounting for the reinsurers' share, fell in net terms by 49.5 million euro.

Commission and other acquisition costs, net of commissions and profit participation received from reinsurers, amounted to 259 million euro. These include acquisition costs relating to insurance contracts and investment contracts with discretionary participation features (DPF). In particular, the caption includes principally commissions on acquisitions of 155 million euro (+ 42%), other acquisition costs of 31 million euro (+ 20%) and collection fees of 73.8 million euro (+ 83%).

Investment management costs reported during the year amount to 47.9 million euro (40.4 million euro in 2012) and include general costs and staff costs relating to the management of real estate investments and equity interests.

Administration costs amount to 26.9 million euro, down from 29.7 million euro in 2012.

NON-LIFE BUSINESS

The Intesa Sanpaolo Vita Group is also active in the non-life business, predominantly through its subsidiary Intesa Sanpaolo Assicura and with the guarantees of the accident and health insurance lines incorporated by the former Centrovita Assicurazioni.

Gross written premiums in 2013 amounted to 232 million, in line with the previous year (222 million). The banking channel contributed 218 million of premiums, the promoters' channel contributed 5 million, whilst other channels contributed 9 million.

The premiums dynamics for the various distribution channels are highlighted below:

(in millions of euro)

	31.12.2013					31.12.2012					Change	
	Promoters	Bancassurance	Post office counters	Other channels	Total	Promoters	Bancassurance	Post office counters	Other channels	Total		
Health	5.0	7.1	-	-	12.1	5.5	7.3	-	-	12.8	-0,6	-5,3%
CPI	-	83.2	-	-	83.2	-	98.5	-	0.0	98.5	-15.3	-18.4%
Multi-guarantee on loans	-	20.1	-	-	20.1	-	19.2	-	-	19.2	0.9	4,5%
Motor	-	77.5	-	3.1	80.5	-	28.6	-	22.7	51.3	29.2	36.3%
Other banking-insurance products	-	11.6	-	1.1	12.7	-	19.6	-	-	19.6	-6.9	-54.9%
Multi-risks home	0.2	18.9	4.7	-	23.7	0.2	14.7	5.7	-	20.6	3,2	13,3%
Total	**5.2**	**218.2**	**4.7**	**4.2**	**232.3**	**5.7**	**187.9**	**5.7**	**22.7**	**222.0**	**10.3**	**4.4%**

The following table sets out the claims paid in the principal classes operated for non-life lines of business:

(in millions of euro)

	31.12.2013	31.12.2012	Change	
Accident	2,8	3,3	- 0,5	-16,1%
Health	13,4	14,1	- 0,7	-5,2%
Land vehicles	6,7	3,9	2,8	70,8%
Fire and natural events	2,6	2,5	0,1	5,9%
Property and casuality	1,7	1,5	0,2	15,8%
Motor third party liability	26,0	19,5	6,5	33,5%
General third party liability	1,4	1,6	- 0,2	-9,6%
Surety	0,4	-	0,4	N/A
Financial Losses	15,6	-	15,6	N/A
Assistance	1,2	-	1,2	0,0%
Legal protection	0,1	12,2	- 12,1	-99,2%
Total	**72,0**	**58,6**	**13,4**	**22,8%**

Non-life contracts at the end of 2013 were comprised of a total of 1,882,641 policies.

Commissions and other acquisition costs, net of commissions and profit participation received from reinsurers amount to 64 million euro (77 million euro in 2012). The fall is due to a reduction in business subject to commissions.

Investment management costs reported during the year amount to 0.4 million euro (0.4 million euro in 2012) and include general costs and personnel expense relating to the management of investment property and equity investments.

Administration costs amount to 20 million euro, up from 18 million euro in 2012.

Other information

PRINCIPAL RISKS AND UNCERTAINTIES FOR ENTITIES FALLING WITHIN THE SCOPE OF CONSOLIDATION

The Intesa Sanpaolo Group, which encompasses the entities included within the scope of consolidation of Intesa Sanpaolo Vita, has for some time operated a Risk Management department. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of risk profiles, the verification of mitigation effectiveness and reporting to Senior Management.

Within this context, in accordance with the process defined by the ultimate parent company for Operating Risks, the Intesa Sanpaolo Vita Group has set up a monitoring system for financial, insurance and operational risks through an integrated reporting system, which provides management with the information necessary in order to manage and/or reduce the risks taken on.

For a qualitative and quantitative examination of the principal risks and uncertainties to which the entities falling within the scope of consolidation are exposed, please refer to section G "Information on risks".

VIABILITY AS A GOING CONCERN

The Group considers that the risks to which it is exposed do not raise any doubts as to the maintenance of the going concern assumption.

NON-RECURRING OPERATIONS AND CAPITAL MANAGEMENT

- On 26 March 2013, a contract was signed transferring the business unit relating to the Findomestic portfolio to Cardif Assicurazioni S.p.A. with effect from 31 March 2013, which entailed a transfer of net provisions of 14,473 thousand euro for Life lines and 5,605 thousand euro for Non-life lines, which had a positive impact on the income statement of around 1 million euro.
- On 12 April 2013, IVASS was sent an application requesting approval for the merger of Bentos Assicurazioni S.p.A. with Intesa Sanpaolo Assicura S.p.A. The merger process was concluded on 20 December 2013 with the execution of the deed of merger.
- On 6 June 2013, pursuant to Article 34(4) of ISVAP Regulation no. 14 of 18 February 2008, IVASS was sent an application requesting approval for the merger of the segregated fund Sud Polo Vita Vivatre with the segregated fund Vivatre. The merger was implemented with effect from 1 January 2014.
- On 20 June 2013, IVASS was sent an application relating to the incorporation of a single member limited liability company under the name Intesa Sanpaolo Smart Care. The stated objective is to expand the business offered through the sale of hardware/software products and remote services, thereby extending the value chain of the Intesa Sanpaolo Vita Insurance Group, amongst other things through the use of new distribution channels that do not compete with the Banking Network of Intesa Sanpaolo, through which these products and services may be placed on a standalone basis, without necessarily requiring their link-up with a policy. The process of incorporating the company was concluded on 16 September 2013 following receipt of authorisation from IVASS on 7 August 2013. Activities carried out during the year were focused on setting up the product range. The range of insurance products incorporating remote technologies is deemed to be a significant factor in the creation of stable leadership by the Intesa Sanpaolo Vita Insurance Group also in the Non-Life sector and in order to develop new areas of business not currently covered. In this regard, the NewCo would constitute an unequivocal point of reference and would oversee the innovation of goods and services along with the expansion of products offered within the sector, favouring the establishment of new customer relations.

As regards capital management activities, following resolutions by the Board of Directors of 2 May 2013, the parent launched a plan aimed at restructuring the components of the available solvency margin. This plan, which has been drawn up on the assumption that adequate support for the solvency of the Parent and Insurance Group will be maintained, envisaged as its first step the launch of activities leading to the placement on the market of a subordinated non-convertible bond issue after the requisite regulatory authorisations have been obtained.

The main activities related to that restructuring plan implemented during 2013 are summarised below:
- On 19 March 2013, the Shareholders' Meeting of Intesa Sanpaolo Vita approved the return to the ultimate parent Intesa Sanpaolo of payments against a future capital increase of 200 million euro made during previous years.
- the parent launched the assessment with a view to obtaining a rating in May 2013. On 2 September 2013, Fitch awarded the company a rating of BBB+ with negative outlook, on the same level as the rating allocated to the ultimate parent Intesa Sanpaolo.
- On 18 September 2013, the parent issued subordinated non-convertible bonds (ISIN XS0972240997) totalling 500 million euro. The bonds, which are listed on the stock exchange of the Grand Duchy of Luxembourg, has a maturity of 5 years (18 September 2018) and yields a fixed rate of 5.35%. The operation was supported by the Joint Lead Managers Banca IMI, HSBC, UBS, BOFA Merrill Lynch and Morgan Stanley. The operation is aimed at including the subordinated bonds the available solvency margin. By notice of 16 July 2013 issued pursuant to Article 45 of Italian Legislative Decree no. 209 of 2005, Articles 15 and 22 of ISVAP Regulation no. 19 of 14 March 2008 and Article 16 of ISVAP Regulation no. 18 of 12 March 2008, IVASS authorised the inclusion of the aforementioned subordinated bonds within the constituent elements of the individual solvency margin as corrected by the Parent up to a maximum limit of 25% of the available margin, or of the solvency margin required, if lower. Placement of the bonds occurred after a road show involving meetings with potential investors in Frankfurt, London and Paris and resulted in an order book of around 2.9 million euro, with around 24% of orders originating from national investors (with reference to the investors upon issue), comprised 77% of Fund Managers, 12% of banks and 8% of insurance companies and pension funds, and finally 3% of other types of investor.
- On 25 September 2013, the Board of Directors of the subsidiary Intesa Sanpaolo Life approved the distribution of 55 million euro of income-related reserves formed during previous years to the sole shareholder Intesa Sanpaolo Vita.
- On 26 September 2013, the Shareholders' Meeting of Intesa Sanpaolo Vita approved the return to the ultimate parent Intesa Sanpaolo of the full amount of payments against a future capital increase of 75.0 million euro made during previous years and of the distribution paid to shareholders out of other reserves of 388.4 million euro, equal to 0.60 euro for each of the 647,398,627 shares.

RELATED PARTY TRANSACTIONS

The Intesa Sanpaolo Vita Group has concluded economic and capital transactions with certain companies from the Intesa Sanpaolo Group as part of ordinary operations. These transactions, which were concluded under normal market conditions on the basis of assessments of mutually economic convenience, are analysed in greater depth in the section "Other information" contained in the Notes to the consolidated financial statements.

COMPOSITION OF SHAREHOLDERS

Intesa Sanpaolo Vita belongs to the Intesa Sanpaolo Group and is controlled by Intesa Sanpaolo S.p.A. with an equity interest of 99.99%. The company is managed and coordinated by Intesa Sanpaolo S.p.A., whilst the residual share capital is held by 18 third party shareholders external to the Group. The share capital is comprised of 647,398,627 ordinary registered shares with no nominal value.

At 31 December 2013, Intesa Sanpaolo Vita and Intesa Sanpaolo Life held 653,903 shares in the ultimate parent Intesa Sanpaolo classified in the current assets portfolio. These shares were acquired in order to service the share incentive plan intended for Top Management in relation to 2012, authorised by the Shareholders' Meeting of Intesa Sanpaolo on 22 April 2013 and resolved upon by the management bodies of Intesa Sanpaolo Vita and Intesa Sanpaolo Life. The carrying amount and market value of the shares is equal to 1,173 thousand euro.

PRINCIPAL OFFICE

The parent's registered office is located in Corso Giulio Cesare 268, Turin, and administrative offices are located in Viale Stelvio 55/57, Milan.

AUDIT

The consolidated financial statements of the Intesa Sanpaolo Vita Insurance Group are audited by KPMG S.p.A., as stated in the supplementary letter of appointment as auditors signed on 13 January 2014.

Subsequent events and outlook

2013 leaves a cautiously optimistic legacy for the next year. The mix of economic policies, improvements to financial stability in Europe and the lack of tensions on the markets for raw materials have created the conditions for a further period of moderate growth without inflationary pressure. The principal risk could come from the reaction of the markets to the monetary policy change by the United States. However, the threats appear to be significant above all for emerging markets, which are more dependent on foreign investors.

The slow process of "exiting" the "major crisis" in the Eurozone is continuing according to the timetable and on the scale forecast. The relaxing of tensions on the financial markets starting in the autumn of 2012 was followed, with a delay of around six months, by a return to cyclical GDP growth.

Although the labour market and lending figures continue to worsen, the recovery is also taking root in Italy, albeit with some delay and on a less intense scale compared to the other principal Eurozone countries. 2014 will be a year of transition from the recession towards a gradual "return to normality". GDP is forecast to grow by 0.5%, with some upward risk resulting from the recovery of the world cycle and the payment of public sector debts. The main risk is associated with potential political instability, a scenario which could lead to a return of tensions regarding the country risk in the event of early parliamentary elections.

Against the backdrop of the gradual resolution of the financial crisis and a slow start to the recovery, interest rate forecasts, in particular for government bonds, are showing no signs of increasing, leaving potential scope for a reduction in the differential with German bonds. However, the factors of uncertainty and any adverse occurrences on national or global level could influence these forecasts by increasing levels of market volatility.
The monitoring of the performance of investments made during the first few weeks of 2014 does not indicate any adverse trends.

2014 started with excellent results in terms of business generated.

The general performance of the parent and subsidiaries over the first few weeks of the year confirms that no events occurred after the end of the year that may have a significant negative impact on the financial position of the Group and the results of operations reported in the consolidated financial statements and in this Report. The business and portfolio results, the positioning of the investment portfolio and the central scenario of the macro-economic forecasts summarised above suggests that, assuming the risks highlighted in relation to the economic cycle and scenario do not materialise, it may be possible to achieve a positive operating result in 2014.

On 1 January the merger was concluded between the segregated fund Sud Polo Vita Vivatre, established in November 2007 following the spin-off from Intesa Sanpaolo Vita (at the time EurizonVita) of the segment for transfer to Sud Polo Vita, and the segregated fund Vivatre out of which it had been originally created.

On 23 January 2014, the parent concluded a binding agreement on the sale of the equity interest held in the Chinese life insurance company Union Life (19.9% of the capital).

The equity interest in Union Life was acquired by Intesa Sanpaolo Group within a different strategic context in 2007. Developments over the intervening period have opened up the possibility for a review of strategic priorities, which will be directed towards a focus on support to the Group's Distribution network. As mentioned above, those review activities identified Union Life as shareholders as offering the opportunity to withdraw from the investment. On 28 January 2014, the parent concluded a contract of sale for the equity interest subject to conditions precedent concerning exclusively receipt of the requisite authorisations by the local Supervisory Authorities.

The sale price, according to the RMB/Euro exchange rate at the end of January, was agreed at around 146 million euro, with a positive effect after Chinese and national taxes of around 30 million euro. The result is considered to be particularly welcome considering that:

- the sale related to a non-controlling interest;
- the original acquisition of the equity interest had been concluded with reference to the maximum levels of valuation multiples ascertained for Chinese insurance companies, which were significantly downgraded as a result of the progressive maturing of the market and as a result of the global financial crisis;
- the polarisation of the Chinese life insurance market into two national champions made the realisation of the Chinese company's plans for growth more complex and delayed all prospects of listing Union Life.

Turin, 12 March 2014

The Chairman of the Board of Directors
Salvatore Maccarone

Consolidated Financial Statements

Statement of Financial Position

(in thousands of euro)

INTESA SANPAOLO VITA S.p.A.		Total FY 2013	Total FY 2012
1	**INTANGIBLE ASSETS**	**631,985**	**631,894**
1.1	Goodwill	631,656	631,656
1.2	Other intangible assets	329	238
2	**TANGIBLE ASSETS**	**884**	**658**
2.1	Lands and buildings (self used)	-	-
2.2	Other tangible assets	884	658
3	**AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**14,134**	**13,330**
4	**INVESTMENTS**	**78,917,047**	**72,863,070**
4.1	Land and buildings (investment properties)	19,579	19,744
4.2	Investments in subsidiaries, associates and joint ventures	-	13,200
4.3	Investments held to maturity		
4.4	Loans and receivables	78,138	89,550
4.5	Financial assets available for sale	54,649,328	43,671,913
4.6	Financial assets at fair value through profit and loss	24,170,002	29,068,663
5	**RECEIVABLES**	**588,435**	**147,568**
5.1	Receivables arising from direct insurance operations	24,405	21,025
5.2	Receivables arising from reinsurance operations	2,073	856
5.3	Other receivables	561,957	125,687
6	**OTHER ASSETS**	**1,494,670**	**1,246,386**
6.1	Non-current assets held for sale and discontinued operations	-	-
6.2	Deferred acquisition costs	331	891
6.3	Deferred tax assets	160,205	131,347
6.4	Current tax assets	1,248,102	1,011,579
6.5	Other assets	86,032	102,569
7	**CASH AND CASH EQUIVALENTS**	**2,117,695**	**4,702,399**
TOTAL ASSETS		**83,764,850**	**79,605,305**

(in thousands of euro)

INTESA SANPAOLO VITA S.p.A.		Total FY 2013	Total FY 2012
1	**SHAREHOLDERS' EQUITY**	**4,329,327**	**4,577,916**
1.1	**attributable to the Group**	**4,329,327**	**4,577,916**
1.1.1	Share capital	320,323	320,323
1.1.2	Other equity instruments		
1.1.3	Capital reserves	1,327,197	1,327,197
1.1.4	Revenue reserves and other reserves	2,014,450	2,335,077
1.1.5	(Own shares)		
1.1.6	Reserve for currency translation differences	-3	2
1.1.7	Reserve for unrealized gains (losses) on available for sale financial assets	321,048	252,676
1.1.8	Reserve for other unrealized gains (losses) through equity	-387	-165
1.1.9	Result of the period	346,699	342,806
1.2	**attributable to minority interests**	**-**	**-**
1.2.1	Share capital and reserves	-	-
1.2.2	Reserve for other unrealized gains (losses) through equity	-	-
1.2.3	Result of the period	-	-
2	**OTHER PROVISIONS**	**8,315**	**15,465**
3	**INSURANCE PROVISIONS**	**58,402,370**	**51,136,897**
4	**FINANCIAL LIABILITIES**	**17,753,921**	**17,626,859**
4.1	Financial liabilities at fair value through profit and loss	17,100,776	17,424,337
4.2	Other financial liabilities	653,145	202,522
5	**PAYABLES**	**2,433,814**	**5,387,392**
5.1	Payables arising from direct insurance operations	78,069	66,840
5.2	Payables arising from reinsurance operations	863	829
5.3	Other payables	2,354,882	5,319,723
6	**OTHER LIABILITIES**	**837,103**	**860,776**
6.1	Non-current liabilities held for sale and discontinued operations		-
6.2	Deferred tax liabilities	463,439	410,079
6.3	Current tax liabilities	333,576	368,132
6.4	Other liabilities	40,088	82,565
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**83,764,850**	**79,605,305**

Income Statement

(in thousands of euro)

INTESA SANPAOLO VITA S.p.A.		Total FY 2013	Total FY 2012
1.1	**Net earned premiums**	**11,363,051**	**5,036,302**
1.1.1	Gross earned premiums	11,370,118	5,042,230
1.1.2	Earned premiums ceded	-7,067	-5,928
1.2	**Commission income**	**265,507**	**262,806**
1.3	**Gains (losses) on financial instruments at fair value through profit and loss**	**234,031**	**1,061,646**
1.4	**Income from investments in subsidiaries, associates and joint ventures**	**-**	**-**
1.5	**Income from other financial instruments and lands and buildings**	**2,221,417**	**2,119,311**
1.5.1	Interest income	1,812,621	1,763,156
1.5.2	Other income	51,924	28,464
1.5.3	Gains on disposal	356,872	327,691
1.5.4	Unrealized gains		
1.6	**Other income**	**75,980**	**119,430**
1	**TOTAL INCOME**	**14,159,986**	**8,599,495**
2.1	**Net insurance benefits and claims**	**-12,459,632**	**-6,687,138**
2.1.1	Claims paid and change in insurance provisions	-12,464,676	-6,688,645
2.1.2	Reinsurers' share	5,044	1,507
2.2	**Fee and commission expense**	**-168,484**	**-180,948**
2.3	**Expenses from investments in subsidiaries, associates and joint ventures**		
2.4	**Expenses from other financial instruments and lands and buildings**	**-229,459**	**-424,665**
2.4.1	Interest expense	-12,771	-7,354
2.4.2	Other expenses	25	-222
2.4.3	Losses on disposal	-209,008	-406,597
2.4.4	Unrealized losses	-7,705	-10,492
2.5	**Operating expenses**	**-416,063**	**-336,924**
2.5.1	Commissions and other acquisition costs	-323,281	-251,965
2.5.2	Investment management expenses	-48,372	-40,876
2.5.3	Other administrative expenses	-44,410	-44,083
2.6	**Other expenses**	**-316,329**	**-453,370**
2	**TOTAL EXPENSES**	**-13,589,967**	**-8,083,045**
	PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**570,019**	**516,450**
3	**Income taxes**	**-223,320**	**-173,644**
	PROFIT (LOSS) AFTER TAX FOR THE PERIOD	**346,699**	**342,806**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**-**	**-**
	CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**346,699**	**342,806**
	of which attributable to the Group	**346,699**	**342,806**
	of which attributable to minority interests	**-**	**-**

Statement of Comprehensive Income

(in thousands of euro)

INTESA SANPAOLO VITA S.p.A.	Total FY 2013	Total FY 2012
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**346,699**	**342,806**
Other comprehensive income after taxes without reclassification in the income statement	**-222**	**-165**
Change in shareholders' equity of subsidiaries	-	-
Changes in the revaluation reserve of intangible assets	-	-
Changes in the revaluation reserve of tangible assets	-	-
Gains (losses) of non-current assets held for sale and discontinued operations	-	-
Actuarial gains (losses) arising from defined benefit plans	-222	-165
Other items	-	-
Other comprehensive income after taxes with reclassification in the income statement	**68,367**	**1,175,450**
Foreign currency translation differences	-5	-3
Net unrealized gains (losses) on available for sale financial assets	68,372	1,175,453
Net unrealized gains (losses) on cash flow hedging derivatives	-	-
Net unrealized gains (losses) on hedge of a net investment in foreign operation	-	-
Change in shareholders' equity of subsidiaries	-	
Gains (losses) of non-current assets held for sale and discontinued operations	-	
Other items	-	
TOTAL OF OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**68,145**	**1,175,285**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**414,844**	**1,518,091**
of which attributable to the Group	**414,844**	**1,518,091**
of which attributable to minority interests	**-**	**-**

Statement of Changes in equity

(in thousands of euro)

INTESA SANPAOLO VITA S.p.A.		Amount as of 31.12.2011	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Amount as of 31.12.2012
Shareholders' equity attributable to the Group	Share capital	320,323	-	-		-	320,323
	Other equity instruments	-	-	-		-	-
	Capital reserves	1,327,197	-	-		-	1,327,197
	Revenue reserves and other reserves	2,241,795	-	93,279		3	2,335,077
	(Own shares)	-	-	-		-	-
	Result for the period	93,278	-	249,528		-	342,806
	Other comprehensive income	-922,772	-	1,028,373	146,912	-	252,513
Total attributable to the Group		**3,059,821**	**-**	**1,371,180**	**146,912**	**3**	**4,577,916**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-	-	-		-	-
	Result for the period	-	-	-		-	-
	Other comprehensive income	-	-	-	-	-	-
Total attributable to minority interests		**-**	**-**	**-**	**-**	**-**	**-**
Total		**3,059,821**	**-**	**1,371,180**	**146,912**	**3**	**4,577,916**

(in thousands of euro)

INTESA SANPAOLO VITA S.p.A.		Amount as of 31.12.2012	Change in Closing Balances	Allocations	Reclassification adjustments to income statement	Transfers	Amount as of 31.12.2013
Shareholders' equity attributable to the Group	Share capital	320,323					320,323
	Other equity instruments	-					-
	Capital reserves	1,327,197					1,327,197
	Revenue reserves and other reserves	2,335,077		343,106		-663,733	2,014,450
	(Own shares)	-					-
	Result for the period	342,806		3,893			346,699
	Other comprehensive income	252,513		-222	47,548	20,819	320,658
Total attributable to the Group		**4,577,916**	**-**	**346,777**	**47,548**	**-642,914**	**4,329,327**
Shareholders' equity attributable to minority interests	Shareholder capital and reserves	-					
	Result for the period	-					
	Other comprehensive income	-					
Total attributable to minority interests		**-**					
Total		**4,577,916**	**-**	**346,777**	**47,548**	**-642,914**	**4,329,327**

Statement of Cash Flows (Indirect Method)

(in thousands of euro)

INTESA SANPAOLO VITA S.p.A.	FY 2013	FY 2012
Profit (loss) before taxes for the period	**570,019**	**516,450**
Change in non-cash items	**7,076,325**	**-473,463**
Change in non-life provision from unearned premium	23,993	52,232
Change in non-life provision for outstanding claims and other insurance provisions	29,885	25,806
Change in mathematical provisions and other life insurance provisions	6,068,464	-195,930
Change in deferred acquisition costs	560	3,056
Change in provisions	-7,150	-1,006
Non-cash income and expenses from financial instruments, investment property and equity investments	979,512	-70,925
Other expenses	-18,939	-286,696
Change in receivables and payables generated by operating activities	**-3,691,498**	**2,070,496**
Change in receivables and payables on direct insurance and reinsurance operations	6,632	-10,948
Change in other receivables and payables	-3,698,130	2,081,444
Income taxes paid	**-223,320**	**32,930**
Net cash generated/absorbed by cash items related to investment and financing activity	**4,117,157**	**951,817**
Financial liabilities related to investment contracts	190,138	858,458
Payables to banks and customers	-	-
Loans and receivable from banks and customers	-	-
Other financial instruments at fair value through profit or loss	3,927,019	93,359
CASH FLOW FROM OPERATING ACTIVITY	**7,848,683**	**3,098,230**
Net cash generated/absorbed by lands and buildings (investment property)	-165	-
Net cash generated/absorbed by equity investments in subsidiaries, associates and joint ventures	13,200	-13,200
Net cash generated/absorbed by loans and receivable	-	40,847
Net cash generated/absorbed by held to maturity investments	-	-
Net cash generated/absorbed by available for sale financial assets	-9,719,997	-542,377
Net cash generated/absorbed by tangible and intangible assets	317	-164
Other cash generated/absorbed by investment activity		-
CASH FLOW FROM INVESTING ACTIVITY	**-9,706,645**	**-514,894**
Net cash generated/absorbed by Group’s share capital and equity instruments	-227	
Net cash generated/absorbed by own shares	-	-
Dividends payment	-663,439	-
Net cash generated/absorbed by minority interests’ share capital and reserves	-	-
Net cash generated/absorbed by subordinated liabilities and participative financial instruments	-63,076	-25,000
Net cash generated/absorbed by other financial liabilities	-	-
CASH FLOW FROM FINANCING ACTIVITY	**-726,742**	**-25,000**
Effect of foreign-exchange differences on cash and cash equivalents	**-**	**-**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	4,702,399	2,144,063
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	**-2,584,704**	**2,558,336**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	2,117,695	4,702,399

The undersigned hereby declares that this statement is true and complies with accounting records.

The Company's legal representatives (*)

The Chairman – Salvatore Maccarone...(**)

The Statutory Auditors

Massimo Broccio - Chairman...

Paolo Mazzi...

Riccardo Ranalli..

(*) For foreing companies, the signature of the general representative for Italy is required.
(**) Specify the position held by signatory representative.

Notes to the consolidated financial statements

Part A – Basis of preparation and accounting policies

BASIS OF PREPARATION

THE LEGISLATIVE CONTEXT

As set forth by Italian Legislative Decree no. 38 of 28 February 2005, those companies falling under the scope of Italian Legislative Decree 209/05 "Codice delle Assicurazioni Private" (Italian Code for Private Insurance Companies") are required to draw up their consolidated financial statements, starting from 2005, in compliance with the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and endorsed at EU level.

The consolidated financial statements of the Group have therefore been prepared in compliance with the International Accounting standards (IAS) and the International Financial Reporting Standards (IFRS), in force as at 31 December 2013 and endorsed by the European Commission (EC) pursuant to EU Regulation no. 1606 of 19 July 2002, as well as by applying the standards or subsequent amendments approved.

In order to better guide the interpretation and the application of the new accounting standards, further reference was made to the following documents, even though not approved by the European Commission:

- "Framework for the preparation and presentation of financial statements of the International Accounting Standards Board".
- "Implementation guidance, basis for conclusions" and any other documents prepared by the IASB or by the International Financial Reporting Interpretation Committee (IFRIC) to complete the issued accounting standards.

Lastly, still in terms of interpretation, the documents regarding the application of the IAS/IFRS prepared by the *Organismo italiano di contabilità* (the Italian Accounting Body) (OIC), the *Associazione nazionale delle imprese di assicurazioni* (Italian Association of Insurance Companies) (ANIA) and the Italian Banking Association (ABI) were taken into account.

STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements are made up of the Statement of Financial Position, the Income Statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of cash flows and these Notes to the consolidated financial statements. The Report on operations accompanies these consolidated financial statements.

The consolidated financial statements have been prepared based on the provisions on technical forms issued by the Institute for the supervision of private insurance companies (ISVAP) with Regulation no. 7 of 13 July 2007 as subsequently amended and supplemented. The information to be included in the Notes to the consolidated financial statements has been supplemented with the additional disclosures required by the IFRS for the preparation of financial statements. These consolidated financial statements have been drawn up in euro as functional currency. The amounts shown in these consolidated financial statements are expressed in thousands of euro, unless otherwise specified.

AUDIT

The consolidated financial statements were subjected to an audit by KPMG S.p.A., as per letter dated 13 January 2014 as an integration of the assignment for the legally-required audit.

ACCOUNTING POLICIES

The accounting policies used to draw up these consolidated financial statements have been identified on a going concern basis carried out by the entities included in the scope of consolidation, believing that there are no significant uncertainties that could raise doubts regarding their ability to continue as a going concern.

During the year, none of the entities, included in the scope of consolidation of the Intesa Sanpaolo Vita Group, availed itself of the possibility of changing the classification of the financial instruments held.

Furthermore, the amendments to IAS 1 and IFRS 7 do not alter the criteria for the drawing-up of the financial statements and have no impact on the preparation of these consolidated financial statements, but introduce new disclosure obligations, which need to be considered in the preparation of the financial statements at 31 December 2013. In this regard, the already mentioned Regulation 475/2012 endorsed the changes to IAS 1 – Presentation of Financial Statements, which introduces a different presentation of the statement of comprehensive income to ensure greater clarity. Accordingly, those items that will not be reclassified in the future to profit or loss need to be recognised separately from those that can be reclassified subsequently to the profit or loss for the year, when some specific conditions arise. The Statement of comprehensive income is shown based on the indications given by IVASS (the Italian Insurance Supervisory Authority) which in Regulation no. 7/2007 sets forth the layout of the financial statements and the relevant basis of preparation.

TRANSACTIONS WITH COMPANIES "UNDER COMMON CONTROL"

Business combinations between companies controlled by the same entity both before and after the business combination and where such control is not of a temporary nature (so-called "under common control" according to IFRS 3§10) are excluded from the IFRS 3 rules which normally provide for the application of the "purchase method" to business combinations, requiring the restatement of assets and liabilities of the purchased company, so as to show their fair value for the purchaser.

Lacking an IFRS dealing specifically with these transactions, reference needs to been made to IAS 8§10, which provides that, in the absence of an IFRS or interpretation, a reliable and faithful presentation has to be granted that reflects the true economic substance of the transactions, regardless of their legal form.

Assuming the economic substance as the ability to generate added value for all of the stakeholders (such as increased revenue cost savings, realization of synergies) that translates into significant changes in cash flows, both before and after the business combination, of the "transferred" assets, those transactions between companies subject to the same treatment were accounted for, distinguishing as to whether they possess or lack the above-mentioned economic substance.

Where a properly demonstrated economic substance existed, reference was made to the fair value of the transferred assets, by the purchaser, and the recognition, in the income statement of the seller of the higher price of the transaction compared to the carrying amount of the transferred assets.

In the opposite case, the principle used was that of the continuity of values related to the assets sold, against the reduction/increase in the equity of the purchaser for the higher/lower price paid, as compared to the carrying amount of the assets, with a parallel increase/decrease in the equity of the seller.

INSURANCE PRODUCTS

Complying with the provisions under IFRS 4, the policies portfolio was classified into insurance contracts and investment contracts with or without discretionary participation features, based on the significance of the underlying insurance risk, i.e. the risk related to the fact that at the date the policy is signed at least one of the following events is uncertain: namely, the occurrence of the event, the time at which the event will occur, the economic impact for the insurer.

Insurance contracts are those agreements that transfer significant insurance risks. Investment contracts are those agreements that transfer financial risks, without significant insurance risks.

Once the insurance risk transferred to the insurer by the policyholder is identified, the Group carries out evaluations to measure its relevance, fixing the determining level for the classification between 5% and 10%. Should payable benefits in cases where the event occurs exceed by 10%, over a longer period of time, those payable even if the insurance event did not take place, then the contracts is classified as an insurance one. If, on the other hand, they remain at a level below 5%, then the contract is classified as a service or investment contract, with or without discretionary participation features. In the intermediate level, the significance of these benefits was measured on a case-by-case basis, according to the specific function of each contracts. This evaluation was carried out considering any possible scenario, excluding those without commercial substance, that is those that have no relevant financial impact on the transaction.

No contracts were found that only provide for service features (IAS 18), orcontracts that do not transfer a significant insurance risk and that provide for the supply of a service without creating financial assets or liabilities. Service features were only found with reference to products classified as financial instruments without discretionary participation features.

The product classification was based on the identification of the substantial nature of the contract, with substance prevailing over form. Therefore, at the issue of the contract, the Group has taken into account the importance of the insurance risk and it did this basically contract by contract. However, where possible, it did it by significant groupings: by rate, product or guarantee. If within the context of the same rate there were both investment and insurance contracts, because the rate was not homogenous compared to the insurance risk, then these steps were followed:
- If, within a rate, only a small part of the contract lacked a sufficient insurance risk, then the whole rate was still considered for insurance purposes and, similarly, where the part of the insurance contract was not considered to be significant, the whole rate was used for investment purposes.
- If a significant part of the contract did not qualify as insurance contracts then these were divided into two parts, one containing investment contracts and the other insurance contracts.

For some products, like term life insurance and life annuities, it was not necessary to carry out any measurement of the insurance risk to decide classification, because that was objectively significant due to the actual structure of the product itself.

The Group also analysed all the features that characterised the contract itself, including the existence and the nature of any options in it. The presence of specific options that, by themselves, qualify as insurance ones is enough to qualify the whole contract as an insurance one, subject to the verifying of the relevant risk significance.

Insurance contracts
Contracts for which the insurance risk is deemed significant include: term life insurance, annuity and mixed policies with guaranteed fixed annuity conversion rates at the time of issue, open-ended pension funds, some types of index-linked policies and all Non-life policies. As far as these products are concerned, the IFRS 4 basically confirms that the national insurance standards apply to the accounting treatment of the premiums, the amounts paid and the change in the technical provisions. Gross premiums are to be recorded in the income statement under income; they include all amounts matured during the year as a result of insurance contracts signed, net of cancellations; likewise, all premiums ceded to reinsurers are recorded under current year costs. Acquisition and collection fees are expensed to the income statement on an accruals basis. Commitments to policyholders are allocated to mathematical provisions against income from gross premiums, calculated analytically for each agreement using the prospective method based on the demographic/financial assumptions currently used in the market.
In the case of insurance contracts with a discretionary participation feature, the technical provisions were adjusted based on shadow accounting. For these contracts, as set forth by the IFRS 4, the Group has decided not to separate the guaranteed feature of the contract from the part of it containing a discretionary participation in the profits, thus consequently submitting the whole contract to the insurance Liability Adequacy Test.
In the non-life businesses, pursuant to IFRS 4, the provided adjustments for catastrophe provisions and equalisation reserves have been carried out.

Investment contracts with discretionary participation features
Investment contracts included under segregated funds, despite their not being subject to significant insurance risk and which therefore contain discretionary participation features, include the majority of life policies and mixed first class policies, as well as fifth class capitalisation policies.

For these contracts, as established by IFRS 4, the Group has decided not to separate its guaranteed part from the part regarding discretionary profit sharing. The whole contract was thus subjected to the insurance Liability Adequacy Test.

These products are accounted for according to the principles set forth in IFRS 4. These principles may be summarised as:
- the products are shown in the financial statements according to principles that essentially reflect those locally in force on the subject, any premiums, payments and changes in technical provision being recorded in the income statement; provisions. The acquisition and collection fees are recognised to in the income statement on an accruals basis;
- the products are measured using shadow accounting, which means allocating to the technical provisions the recorded on realised gains/losses relative to securities classified as available for sale for the part relating to the policyholders and to the equity the part relating to the company. If, on the other hand, the securities are recorded at fair value through profit or loss, the difference between the carrying amount and the market value is recorded in the income statement giving rise to a change in technical provisions equal to the amount of the policyholders' portion.

Investment contracts

Investment contracts without a significant insurance risk and which are not included under segregated funds, and therefore do not envisage discretionary participation features, basically comprise part of the Index Linked policies, as well as policies with a specific asset, if they are not included in segregated funds accounts, and policies for employee termination indemnities (AIL) that cannot be revalued. These products are accounted for according to the principles set forth in IAS 39, as summarised below
- the products are shown in the financial statements as financial liabilities and are carried at fair value, based on the established option, or at amortized cost; specifically, the part of Index and Unit-linked policies considered to be investment contracts are carried at fair value through profit or loss, while the products with a specific asset that are not included under segregated funds are measured at amortized cost;
- as far as Linked contracts are concerned, any marginal insurance component that is within the Index and Unit Linked products, if it is separable, is the subject of independent measurement, i.e. unbundling. This insurance component is posted to the technical provisions; for the Index Linked products with a non-marginal insurance component, which were originally classified as insurance products in the companies that belonged to another group at that time, the insurance component was not separated out.

The income statement does not reflect the premiums, the amounts paid and the change in the provisions and reserves. However, it shows the revenue components, represented by the fee and commission income – including contract charges and management commissions – and the surrender gains, as well as the cost items, consisting of the other expense and of the commissions expense. These include, among other things, the acquisition costs of the above-mentioned investment contracts. The changes in the value of the financial liabilities relative to the Unit and Index Linked policies that are classified as investment products measured at fair value are posted to the income statement in the caption financial income and expense from financial instruments at fair value through profit or loss. The changes in the value of the financial liabilities measured at amortized cost are posted to the income statement in the caption interest income and expense. In more detail, IAS 39 and IAS 18 establish that the revenue and costs relative to the products in question must be identified and separated into the following two components: (i) origination, to be posted to the income statement at the time when the product is issued and (ii) investment management service, to be spread over the product's lifetime according to how the service is supplied.

Specifically, for financial products without discretionary participation features only the component of investment management services was identified. Costs to be capitalised, i.e. Deferred Acquisition Costs (DAC), were identified for all single premium Index and Unit Linked financial products and for some recurring single premium Unit Linked products with a lump-sum commission, which is adequately covered by the future charges and commissions, and the initial charges, Deferred Income Reserve (DIR) to be posted to the financial statements as a liability have only been identified for the single premium products with explicit charges and commissions on the premium. In both cases linear amortization was carried out, assuming, with reasonable approximation, that the management activity would by supplied on a constant basis over time.

For the recurring premium Unit Linked type of rates, purchase fees continued to be recognised in the income statement, on an accruals basis, due to the timing correlation with the relative charges impacting to the recurring premiums.

In the case of products with a specific asset and not included under segregated funds, revenue and costs flow into the calculation of the amortized costs. For these products the DAC and the DIR were not entered separately in the assets and liabilities, respectively, with the consequent reversal of the deferred acquisition costs. The Group maintained that it could approximate the net effect of DIR and DAC by keeping the deferred acquisition costs, calculated according to Italian GAAP.

FINANCIAL ASSETS AND DERIVATIVES TRANSACTIONS

The fair value

Regulation No. 1255/2012 endorsed IFRS 13 – Fair Value Measurement. The new standard does not extend the scope of application of fair value, but rather provides a guide as to how to measure the fair value of financial instruments and non-financial assets and liabilities when already required or permitted by other accounting standards. The rules for measurement at fair value, previously contained in various standards, in some cases with prescriptions in conflict with one another, were thus concentrated into a single standard.

Fair value is the amount for which an asset may be exchanged or a liability settled between knowledgeable, willing counterparties in an arm's length transaction.

In operational terms the existence of official quotations in an active market is the best support for the fair value. Therefore, these quotations represented the prices used, as a priority, for the measurement of the financial assets and liabilities. The securities that have an official quotation in an active market were classified as "level 1".

When an active market does not exist or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-offer spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date. Such techniques include:

- reference to market values indirectly connected to the instrument to be valued and deduced from products with the same risk profile (Comparable Approach – "level 2" securities);
- valuations performed using – even partially – inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the valuator (Mark-to-Model – "level 3" securities).

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy. The availability of a price from an active market excluded the need to use one of the other measurement methods.

Financial assets designated at fair value through profit or loss

The financial assets designated at fair value through profit or loss include the assets held for trading and the assets designated at fair value.

The financial assets held for trading include the following:

- The debt or equity instruments that are mainly purchased for purposes of a short-term profit.
- The derivatives, with the exception of those designated as hedging instruments.

The assets designated at fair value include the financial assets connected to investment contracts of the Index and Unit Linked type, or connected to the management of the pension funds, as well as hedging derivatives contracts. They can also be relative to financial assets that were originally connected to financial liabilities, or technical provisions connected to Linked products which, due to the impact of the surrender by the Customers, are temporarily held among the investments of the free capital, or allocated to segregated funds.

The financial assets designated at fair value through profit or loss are initially recognised in the statement of financial position at their fair value, which is generally the same as the price paid for them. They are subsequently measured considering changes in fair value. The related fair value gain or loss is recognised in the income statement.

To determine the fair value of financial instruments quoted on active markets the relative market quotation is used. Where there is no active market for them, the fair value is measured by referring to the prices supplied by external operators, or by using valuation models that are mainly based on objective financial variables, as well as taking into account the prices that are found regarding recent transactions and quotations for financial instruments that are similar to them.

Securities and related derivatives, for which the fair value cannot be determined in a reliable manner, are kept in the financial statements at cost, which is adjusted for any impairment losses, which are not reversed.

The derivatives are recognised assets if their fair value is positive and as liabilities if their fair value is negative. An exception to this is the case where the contract is relative to Index or Unit Linked type products. In this circumstance, in fact, the net assets used to hedge the commitments to policyholders are shown in the item 4.6 "Financial assets designated at fair value through profit or loss". The group offsets the current positive and negative values coming from transactions with the same counterpart, whenever this setoff is established contractually.

Loans and receivables

Loans and receivables include financial assets that are not derivatives, including debt instruments, with fixed or determinable payments, which are not quoted on an active market and which are not classified from acquisition among available–for-sale financial assets. This caption mainly classifies loans and receivables with customers regarding loans on policies, reinsurance deposits and repurchase agreements.

Loans and receivables are recognised at the time they are issued.

At the date of their first recognition, loans and receivables are posted to the statement of financial position at their fair value, which is usually the same as the amount granted and to which any directly imputable transaction costs are added, if they are material and determinable.

Afterwards, receivables are measured at amortized cost, using the criterion of the effective interest rate. Any gains and losses are posted to the income statement when these assets are derecognised, or when they have undergone impairment, as well as through the amortization process. As far as short-term receivables are concerned, the amortized cost method is not used, due to the foreseen irrelevance of the impacts from applying the effective interest rate method.

To assess the situations that bring about an impairment loss and the calculation of the relative amount, the Group, using its measurement experience, uses all the information available that is based on events that have already taken place as well as observable data at the measurement date. The impairment losses are calculated as the difference between the carrying amount of the assets and the present value of the estimated future cash flows, discounted at the original effective interest rate. Reversals of impairment losses are recognised in the income statement, up to the amount of the cost of the financial assets.

Some types of insurance policies issued by the group provide for the right of the policyholder to obtain loans, within the limits of the surrender value accrued and to conditions set out at the grant; insurance on loans are measured at amortized cost, which coincides, as a rule, with the nominal amount.

Available for sale financial assets

Available for sale financial assets include financial assets other than loans and receivables, held-to-maturity investments and financial assets at fair value through profit or loss. They also include debt instruments, equity instruments and UCI shares that do not qualify as subsidiaries, associates and joint-ventures.

Upon initial recognition, available-for-sale financial assets are recognized in the statement of financial position at their fair value, which normally corresponds to the amount paid to acquire them, plus any transaction costs, if material and determinable , directly attributable to the acquisition of the same.

They are subsequently measured at fair value with any change in fair value posted to a specific equity reserve. The unlisted equity securities, for which the fair value cannot be measured in a reliable or verifiable way, also in consideration of the relevance of the ranges of values retractable from the application of the valuation models used in market practices, are recognised at cost. The fair value are required in the income statement at the time of their disposal, or if an impairment loss is ascertained. The investments in a listed closed-end funds or venture capital funds and for which the fund manager communicates the net asset value in timeframes that are not compatible with the drafting of the financial statements, are measured based on their last known value, which is their cost or, alternatively the last value communicated by the fund manager. Regarding debt securities classified as available for sale, the amount of the relative yields, based on the amortized cost technique is posted to the income statement, in the same way as for the impacts relative to the changes in the exchange rates.

To assess any situation that brings about an impairment loss and the calculation of the relative amount, the Group, using its measurement experience, utilises all the information available which is based on events that have already taken place and on observable data at the measurement date. With reference to equity securities, a significant or prolonged drop in the fair value of an equity instrument to below cost can be considered as objective evidence of an impairment loss.

Recognition of any impairment in the equity investments foresees the following two steps:
- checking regarding the presence of specific impairment indicators.
- The calculation of the impairment loss.

The impairment indicators are essentially divided into two categories: indicators deriving from factors specifically relating to the company being valued, and therefore qualitative, and – for listed securities – indicators deriving from the market values of the company.

Within the first category, the following indicators are considered significant: the generation of losses or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company.

With respect to the second category, a significant or prolonged reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the latter amount, a fair value reduction of over 30% is considered significant, and a reduction of over 24 months is considered a "prolonged" continuous reduction.

If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment must also be corroborated by the result of specific analyses of the security and the investment.

The amount of the impairment is calculated with reference to the fair value of the financial asset.

For an illustration of the valuation techniques used to determine fair value, see the relevant chapter.

Impairment losses of equity securities cannot be reversed in the income statement, if the reasons for the impairment loss are no longer valid. Therefore, these reversals are posted to the specific equity reserve. On the other hand, a reversals relative to debt securities is posted to the income statement up to the value of the amortized cost of the financial assets involved.

For the financial instruments that represent investments in private equity funds the fair value of the investment is deduced from a qualitative and quantitative analysis of the investment, a contributory element of which is also the Net Asset Value of the fund.

As far as investments in bonds are concerned, downstream from the measurement of the relative fair value a test is made to verify the impairment loss and, if the elements exist, the fair value loss is posted to the income statement.

Within the test the following are considered as indicators to identify the positions to be analysed:
- The persistence of a negative fair value for over 6 months.
- The presence of debt restructuring plans.
- The participation of the Group in debt restructuring plans.
- The presence of credit events.
- The existence of actions by the issuer aimed at suspending the payment of the coupons, or their reduction, at postponing the reimbursement of the positions, at the replacement of the financial instruments with others before the due date.

The presence of one or more of the indicators shown above brings about the analysis of the positions and the decision as to whether or not to recognise an impairment loss of value, i.e. impairment.

Transaction in hedging derivative financial instruments

Hedging transactions are aimed at neutralizing potential losses on a specific type of risks, through the realizable gains from the hedging instruments.

For the purpose of applying hedge accounting, governed by the IFRS, the relationship between the hedging instruments and the hedged items is formally documented, including the risk management goals, the hedging strategy and the methods used for checking on the effectiveness of the hedging. The checking of the effectiveness of the hedge is foreseen both at the beginning of the transaction and periodically during it. Generally, a hedging transaction is considered effective if, both at its beginning and during its lifespan, the changes in the fair value, or in the cash flows of the hedged item are almost completely matched by the changes in the fair value, or in the cash flows of the hedging derivative, which means that the effective results fall within a range running from 80% to 125%.

The hedging ties cease if the hedging carried out through the derivative disappears, or is no longer highly effective, if the derivative expires, if it is sold, terminated or exercised, if the hedged item is sold, expires or is reimbursed, or if it is no longer highly probable that the future situation that is being hedged will take place.

INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

Investment property includes all properties held and owned by the group, to earn rentals or for capital appreciation.

Property, plant and equipment include moveable assets, furnishings, plant, equipment and office machinery.

Other items of property, plant and equipment are initially posted at cost including the ancillary charges that are directly imputable at the acquisition and commissioning of the asset. Afterwards, they are shown net of any depreciation and losses.

Subsequent expenditure either increases the carrying value of the asset, or are posted as a separate asset, only when they bring about an increase in the future financial benefits coming from the usage of the investments. The other expenses incurred after acquisition are posted to the income statement on an accruals basis.

Depreciation of these assets is charged in equal annual amounts over the remaining useful life of each individual asset. The remaining useful life of the depreciated property, plant and equipment is periodically checked. If the initial estimates are adjusted then the relative amount of the depreciation is also changed.

In the case of property, the land and buildings are separate assets for accounting purposes and are posted separately at the time of their acquisition. Land has an indefinite useful life and, therefore, is not depreciated.

INTANGIBLE ASSETS

Intangible assets are non-monetary assets, identifiable and without any physical consistency. They are owned to be used over a multiyear period. They include goodwill and software that is either developed internally or acquired from third parties.

Goodwill

Goodwill is the excess of the cost of acquisition incurred compared to the net fair value, at the acquisition date, of the assets and liabilities that constitute companies or business units.

Goodwill is not subject to systematic amortization but is tested for impairment regulatory. This test is carried out with reference to the Cash Generating Unit that the goodwill is attributable to. Any goodwill impairment is recognised in the income statement when its recoverable amount is lower than its carrying amount.

Other intangible assets

Other intangible assets include the expenses for the software acquired from third parties, or developed internally.

The expenses relating to the internally developed software are posted as intangible assets in the financial statements, subject to a check on the technical feasibility of the completion of the related projects and their ability to generate future financial benefits. During the development stage these assets are valued at cost, including any direct ancillary charges and any expenses for the internal personnel employed in their creation. In the case of a negative outcome of the check the expenses are all posted to the income statement.

Intangible assets for software developed internally, or acquired from third parties, are amortized in equal amounts, starting from its completion and the entry into operation of the applications, based on the relative useful life that is estimated as being three years. Whenever the recoverable amount of these assets is lower than their carrying amount, then the difference is posted to the income statement.

An intangible asset is derecognised whenever, due to its disposal or impairment loss, the asset is no longer able to generate future usefulness.

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss mainly consist of the liabilities connected to Index and Unit Linked investment contracts that do not present a significant insurance risk and therefore do not fall into the application area of IFRS 4. For these contracts, the Group has opted for a fair value measurement. This choice comes from the fact that Italian GAAP, regarding the valuation of the assets and liabilities, is very near to what is required by IAS 39. The posting to the income statement of the fair value enables the correlation with the valuation of the underlying assets.

The value of the contract at the valuation date, expressed for the Unit Linked and Index Linked investments as the equivalent of the shares and as the price of the structured investment, respectively, reflects the market value of the underlying assets. Furthermore, the amounts to which the policyholder would have a legal right in the case of redemption, or the heirs in the case of a death, are calculated starting from the above value of the contract, i.e. the market price. Taking into account that the value of the units of the available funds and of the structured investment have a periodic quotation, it is reasonable to hypothesize that, at least for the deposit component, there does exist a price that is quoted in an active market. Based on what has been shown here, with reference to the deposit component, it is maintained that the provision set aside based on Italian GAAP is very close to the fair value.

For the products referred to above there was an unbundling of the insurance component, in those cases where there was constituted, according to Italian GAAP, the additional "in term life" provision, allocated among the mathematical provisions.

The financial liabilities also include the provision necessary for the settlement of the bonus, foreseen in some types of policies of the Unit Linked type, or of the expiration guarantee, if necessary.

The financial liabilities designated at fair value through profit or loss also include the derivatives that show a negative value at the reporting date.

Other financial liabilities

The other financial liabilities include the payables to customers, the deposits received from reinsurers and any financial component that is present in the reinsurance contracts. The items are posted at amortized cost.

The caption also contains the contracts with specific assets, referred to in article 16 of ISVAP Regulation no. 21, which are valued at amortized cost. For these contracts the treatment used foresees the calculation of an internal rate of return so that, at the issue of the contract, the premium net of the acquisition and management fees and commissions is equal to the present value of the future cash flows.

For a specific product coupon redemptions are established, and appropriately considered in the calculation of the internal rate of return.

Based on the internal rate of return the reserve is calculated at the amortized cost, with the consequent reversal of the provision based on the pure premiums, calculated according to Italian GAAP.

Other financial liabilities also include subordinated liabilities the creditor's reimbursement of which is, in the case of settlement, subordinated to the settlement of the senior debt.

The subordinated liabilities are measured at the amortized cost of each individual loan.

INSURANCE PROVISIONS

Insurance provisions of the Life businesses

Insurance provisions relate to insurance contracts and to financial contracts included under segregated funds having discretionary participation features that, in accordance with the provisions set forth by IFRS 4, are calculated according to Italian GAAP. Any insurance component contained in the financial products of the Index and Unit Linked type, if it can be separated, is subject to a separate valuation, i.e. unbundling, and it is calculated according to Italian GAAP.

Provision for outstanding claims

The provision for outstanding claims includes the amounts that the company has to settle as a result of payment due dates, claims, redemptions, periodic payment dates and annuity instalments, but not yet paid at the valuation date and for which the right to receive the payment has already accrued by 31 December.

Mathematical provisions

The mathematical provisions refer to the provisions set aside based on the pure premiums, to the provisions for additional health, professional and sports premiums, to the premium carry-over and to the additional provision relative to the added service supplied, in case of term life, of the Index Linked type policies.

The provisions for additional health, professional and sports premiums are not less than the total overall amount of the additional premiums belonging to the financial year on an accruals basis.

Technical provisions where the investment risk is borne by the policyholders and arising from pension fund management

The caption refers to the provisions relative to insurance contracts whose services are connected to investment funds, market indexes and pension funds. In observance of what is established by article 38 of Italian Legislative Decree no. 173/97, the technical provisions put in place to cover the commitments coming from insurance contracts, whose financial performance is determined based on investments, or indexes and therefore for which the risk is borne by the policyholders. They are calculated with reference to the commitments established by the contracts that are represented, as closely as possible, by the reference assets, pursuant to article 41 of the Legislative Decree no. 209/05.

Other insurance provisions

The other technical provisions include the following:

- The provisions for future expenses, which have been put in place to cover charges that the group must incur in order to manage the contracts.
- The provisions put in place following Liability Adequacy Test.
- The additional provisions and the provisions calculated based on the foreseeable performances resulting from the application of the criteria referred to in the ISVAP Regulation no. 21 of 28 March 2008.
- The provision for premium reversals that are relative to the collective policies in the format "single yearly premium for the term life" that contractually establishes the repayment of a part of the net premium paid and which is based on the trend of the mortality, relative to the group of insured parties who are covered by the policy.
- The provision of the supplementary insurances that cover the risk of death following accidents and the coverage of the risk of serious illness and the risk of the absence of self-sufficiency in carrying out the actions of daily life. The provision of the supplementary insurances was calculated using the accruals criterion.
- Deferred liabilities payable to the policyholders, which means the element of discretionary participation feature of the contracts included under segregated funds. The finding of the deferred liabilities takes place through applying shadow accounting, which means allocating to the policyholders a part of the calculated, but unrealised, gains/losses relative to the available-for-sale financial assets and financial assets at fair value and posted to the income statement that constitute the segregated funds.

Liability Adequacy Test

In line with the provisions set forth in IFRS 4, for the purpose of checking the adequacy of the technical provisions at the reporting date, a Liability Adequacy Test (LAT) was carried out.

The test was made to check that the net provisions, understood as being the provisions in the financial statement reduced by the acquisition costs to be deferred, connected to the contracts acquired through business combinations, can cover the commitments to the policyholders.

These commitments are defined by the present value of the expected future cash flows generated by the existing portfolio at the valuation date. The cash flows, calculated based on realistic hypotheses, including the tariff premiums, the commissions on the premiums, the payments for the insured services, implicitly the financial income not retroceded to the contracts, the trend of the expenses, as well as the maintenance fees to pay to the network.

The assumptions used for determining the cash flows, both financial on the prospective rates of return and demographic/actuarial were defined based on a detailed analysis of the portfolio of the assets and liabilities.

As far as the development of the liabilities of the portfolio is concerned, the test was made, distinguishing them by segregated funds of each individual tariff type and projecting the portfolio closed as at 31 December and based on the typical features of the individual tariff, such as the measure and structure of the financial commitment, the minimum rate committed, the type and periodicity of the premium, the sales network and the technical bases. The test was also carried out for the pure risk contracts. The processing was done by summarizing the contracts portfolio into model points that represented almost the whole portfolio. The grouping helps keeping a high informational level on liabilities.

The capital insured, for the contracts that flow into the segregated funds, were revalued over time based on the minimum guaranteed rate of the policy. All the estimated cash flows were discounted to present value using the Euro Swap curve in force at the valuation date, adjusted by a component of illiquidity premium for the purpose of taking into account the risk/return profile of the assets typically present in the connected funds.

The adequacy test was carried out using information technology and methodological supports that are currently used and developed by the Group for the measurement of the intrinsic deterministic value.

Insurance provisions of non-life businesses

The technical provisions relative to non-life contracts are determined according to the criteria that are currently in force for the separate financial statements drawn up according to Italian GAAP, in accordance with the standards in IFRS 4, with the exception of the equalization and catastrophic provisions, which are not considered because they are not allowed by the IFRS.

The technical provisions of the non-life business include unearned premium reserve, provision for outstanding claims and aging reserve. Specifically:

- The provision for unearned premium posted in the financial statements includes the provision for unearned premiums and the provision for unexpired risks. The provision for unearned premiums consists of the amounts of the gross written premiums during the current year but belonging to future years. The calculation is made analytically, for each line of business, according to the pro rata temporis method, deducting the acquisition costs that can be directly allocated. The provision for unexpired risks consists of the amount to be set aside to cover the risks incumbent on the group after the end of the year, to cover all the indemnities and expenses coming from insurance contracts that gave rise to the creation of the provision for unearned premiums, in so far as the total amount of the presumed cost of the expected claims is higher than that of the provision for unearned premiums and the premiums that will be due under the terms of these contracts. The calculation is made separately for each line of business, taking as the basis the ratio between claims incurred and gross earned premiums, also taking into account the value taken from the indicator in the previous years. The provision for unearned premiums of the ceded business are computed by using the same criteria followed for the direct business.
- The provision for outstanding claims is determined analytically, by using a prudent valuation of the non-life businesses carried out based on objective elements and a ultimate cost logic, in the measure that is necessary to cover the commitments of the group for the payment of the claims and the relative direct and indirect settlement expenses. The provision is also updated according to the "continuous provisioning" principle. Therefore, this means that any additional piece of information regarding the valuation of a claim necessarily causes a revisiting of the relative amount in the provision. The analytical valuation of the claims is followed by the actuarial

analysis and check of the inventory data, through the examination of the results of the breakdowns over time of the previous generations and the consequent forecast check on the capacity of the provision to cover the generations still open. With regard to the motor vehicle third party liability business, for the purposes of calculating the amounts of the provision to be posted to the financial statements the provisions set forth under Italian Presidential Decrees 973/1970 and 45/1981 have been taken into account. According to said regulations the outstanding claims provision plus the amount of the claims paid and the relative settlement, at the end of each year cannot be less, in no case whatsoever, to 75% of the properly accrued premiums recognisable for the year of occurrence of each of the last five generations. The claims provision also includes the estimate of the amount of the claims belonging to the year that have not yet been presented, calculated according to the criteria established by the ISVAP Regulation no. 16.

– The aging reserve is specifically constituted for the healthcare line of business in observance of what is established by article 37 of the Legislative Decree no. 209/05 "Private Insurance Companies Code".

The criteria for the posting of the provisions also takes into account those factors that could have an impact on the future cash flows, e.g. peaks of IBNR (Incurred But Not Reported) claims, any territorial inconsistencies in the valuation of the biological damage in the general and motor vehicle third party liability businesses.

The criteria for the provisioning of the technical provisions based on Italian GAAP, with specific reference to "last cost" for the claims provision and to the provision for unexpired risk, are consistent with those defined by the liability adequacy test, satisfying the requirements established by IFRS 4.

PAYABLES

Payables arising from direct and indirect insurance transactions

The trade payables arising from direct and indirect insurance transactions are posted at their nominal amounts.

Post-employment benefits

The liability relative to post-employment benefit is recognised in the financial statements based on its actuarial value, because it qualifies as a defined benefit plan, pursuant to IAS 19.

Regulation 475/2012 endorsed the amendments to IAS 19 – Employee Benefits, as approved by the IASB on 6 June 2011, the aim of which is to facilitate the understanding and comparability of financial statements, especially with regard to defined benefit plans. The most significant changes made pertain to the elimination of the different accounting treatments permitted for the recognition of defined benefit plans and the ensuing introduction of a single method that entails immediate recognition in the statement of comprehensive income of the actuarial gains/losses arising from the measurement of the obligation. Given the previous accounting approach adopted by the Group, the main effect consists of the elimination of the "corridor method", with immediate recognition of changes in the value of bonds and assets serving the plan in the statement of comprehensive income, and thus in equity. The elimination of that method entailed an impact on the Group's equity as at the date of initial application of the new Standard, inasmuch as actuarial gains or losses not previously recognised under the "corridor method" were recognised. The statement of financial position as at 31 December 2013 and the comparable one as at 31 December 2012 reflect this change.

Seniority bonuses

The liability relative to employee seniority bonuses is posted to the financial statements, pursuant to IAS 19, based on its actuarial value, because it qualifies as an employee benefit based on a defined benefit plan. Recognition follows the criteria described above for the post-employment benefits.

Post-employment health services supplied

The liability relative to health services supplied to the group executives and their family members after the employment relationship ends, under a health scheme operated through specific agreements, is recognised in the financial statements based on its actuarial value, because it qualifies as a post-employment benefit, pursuant to IAS 19.

The calculation of the present value of the group's commitments is carried out by an external valuator using the "projected unit credit method", which considers each period of membership accrued in the health scheme as a unit of additional right to the service.

OTHER FINANCIAL STATEMENT ITEMS AND FURTHER INFORMATION

Cash and cash equivalents

The cash and demand deposits are recognised at their nominal amount.

Deferred commission income and expense

Deferred commission income and expense refers, respectively, to loading and acquisition commissions connected to financial products without discretionary participation features, such as the Index Linked policies and part of the Unit Linked policies, classified, as established by IAS 39, among the financial liabilities designated at fair value through profit or loss. According to the IFRS, under IAS 39 and 18, loading and acquisition commissions relating to the above products are identified and separated into the following two components:

- The financial instrument, to be posted to the income statement at the time the product is issued.
- The investment management service, to be spread over the lifespan of the product, according to the completion statues of the service rendered.

The costs and revenue relative to the financial instrument component, theoretically attributable to the issuance of the investment contract [IAS 18, 14 (a) and (b) (iii)] and, therefore, to be posted to the income statement, were assumed to be nil, maintaining that this approximation is acceptable considering the fact that for standard contracts the issuing activities are minimal.

Up-front loading were attributed to the investment management services component as revenues, while the acquisition commissions are considered as an incremental cost and directly attributable to the acquisition of the contract. These costs give the basis for the recognition of an intangible asset that represents the contractual relationship established with the investor and the relative right of the group to debit the revenue for the future managing of the investments. The amortization of this asset is adequately covered with the initial loading and the eventual future management fees. These costs, associated with the investment management services component, were capitalized (DAC) and amortized according to what is established by IAS 18. The initial loading are posted to the financial statements as liabilities (DIR) and recognised in the income statement gradually as the management services are rendered.

Specifically, the costs to be capitalized are identified for all the single premium products and for the recurring single premium products with lump-sum commission that find adequate coverage in the future loading. Initial loading to be posted to the financial statements as liabilities were only identified for the single premium products with an explicit loading on the premium.

In both cases a linear amortization was applied, assuming, with a good approximation that the management activity is supplied constantly over time.

For all the investment contracts that established the constitution of a deferred income reserve the relative management expenses reserve, calculated according to Italian GAAP, was reversed.

The acquisition commissions were deferred because it was verified, in agreement with the provisions set forth in IAS 36, that they are recoverable with the initial and the future management fees.

For the purpose of checking the recoverability of the residual acquisition commissions, the Group examines among the risks of tariff fixing also the costs risk. The check on the recoverability was made a priori through a profit testing analysis and, afterwards, during the life of the contract by means of annual checks on the sustainability of the assumptions, at the time of the valuations of the embedded value.

The test is made by grouping the portfolio by tariff. In choosing the annual projection assumptions it is checked that the revenues are no less than expected, for reasons such as the dissolution of contracts, or market movements different from those used in the profit testing. Lastly, the costs are examined to check that they are not higher than forecasted. For this purpose a detailed analytical model was built that breaks down the costs by macro product category and by product life cycle.

Tax assets and liabilities

Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated it. Therefore, it represents the balance of current and deferred taxation relating to the profit or loss for the year.

Due to membership of the national tax consolidation scheme and complying with both the taxation consolidation agreement and the current relevant usage and practice, the Parent, regarding IRES (Corporate Tax) has calculated its "potential" expense, posting as the other side of the accounting entry, the payable, or the receivable for payments on account or withholding taxes incurred, towards the consolidating company, because this latter is the only one obliged to settle the tax situation with the taxation authorities.

The current tax assets and liabilities, governed by IAS 12, represent the tax positions of the individual consolidated companies towards the pertinent taxation authorities. Specifically:

- Current tax liabilities are calculated based on a prudent forecast of the tax expense due for the year, based on the relative legislation currently in force.
- Current tax assets include payments on account and other tax receivables incurred, or other tax credits from previous years that the group can set off against the taxes of following years. These assets also include tax credits for which the reimbursement request has been made to the competent tax authorities. Lastly, tax assets include the tax credit made up of the amounts paid to the Tax Authorities, pursuant to Legislative Decree no. 209/2002 converted, with changes, by the Law no. 265 of 22 November 2002 and to the Legislative Decree no. 168/2004, converted by the Law no. 191 of 30 July 2004. This credit was posted at its nominal amount.
- Deferred taxation is calculated, pursuant to IAS 12, according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the carrying amount of the assets and liabilities and their value for taxation purposes, which will determine taxable or deductible amounts in the future. In particular:
  - "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.
- Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that they will be recovered.
- Deferred tax assets and liabilities related to the same tax and due in the same period are compensated. In the years where deductible temporary differences are greater than taxable temporary differences, the related deferred tax assets are included under assets among deferred tax assets. On the other hand, in the years where taxable temporary differences are greater than deductible temporary differences, the related deferred taxes are included under liabilities among deferred tax liabilities.
- If deferred tax assets and liabilities refer to items affecting the Income statement, the counterbalance is represented by income taxes. Where deferred tax assets and liabilities relate to transactions that have been recorded in equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, valuations of available-for-sale financial assets or of cash flow hedge derivative contracts), the balancing entry is made in equity, under specific reserves where so provided (e.g. valuation reserves).

Reinsurers' share of technical provisions

Commitments borne by the reinsurers, arising from reinsurance relationships regarding contracts governed by IFRS 4, are posted and – except for any different evaluation regarding the recoverability of the receivable, accounted for in line with the accounting standards applicable to the underlying direct insurance contracts. Deposits paid over by the reinsurance companies to the ceding companies are not included.

Receivables from direct and indirect insurance transactions

Unpaid premiums are measured at their fair value as at the date of initial recognition, usually match their nominal amount. For accounting purposes, no use is made of discounting methods, because these are short-term receivables and the relative effects would not be material. They are subsequently measured at each reporting date, while also taking into account any impairment losses.

Provisions for risks and charges

The provisions for risks and charges are made up of liabilities of uncertain amounts and maturities that are posted to the financial statements, because of the following:

- There is a present obligation as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- A reliable estimate of the amount of the obligation can be made.

In so far as the element involved is significant, the provisions posted are discounted to present value using current market rates. Continuity of and compliance with the above conditions is periodically reviewed.

Foreign currency transactions

The transactions in foreign currency are posted in Euros using the spot rates in force at the dates of the transactions. The monetary items are translated at the exchange rate in force at the reporting date, while the non-monetary items, that are not hedged for currency risk and not measured at fair value, are translated at the exchange rate in force at the date of first posting to the financial statements. The realized exchange differences on monetary and non-monetary items are posted to the income statement.

The exchange differences relative to the translation of monetary items using rates that are different from those of the initial recognition, or of the end of the preceding year, are posted to the income statement.

The exchange differences relative to the translation of non-monetary items at exchange rates that are different from those of the initial recognition, when applicable based on the above criterion, are posted to the financial statements as follows:

- To the income statement, when they are non-monetary items hedged for currency risk, for the amount of the effective hedge.
- Alternatively, to the income statement or to equity, when they are non-monetary items measured at fair value, following the rules for the posting to the financial statements of the changes in fair value relative to them.

Cost and revenue recognition

Revenue from the sale of goods is recognised at the fair value of the payment received for them, when the following conditions are observed:

- The Group has transferred to the buyer the risks and the benefits connected to the ownership of the goods.
- The amount of the revenue can be measured reliably.
- It is probable that the econimic benefits associated with the transition will flow to the Group.

The commission income and the other income on the supply of services are recognised in the periods when the services are supplied, or with reference to the completion status of the service. Specifically, the income from the sale of financial products that have no significant insurance risk are recognised over the term of the contracts. The costs relative to the acquisition of these contracts are accounted for in the income statement in the same periods as when the income is recognised.

The other income is recognised in the income statement on an accruals basis. Specifically::

- The interest, inclusive of income and similar expense, is posted with a timing criterion that considers the effective yield.
- The dividends are posted when the right to receive the relative payment has accrued, which means at the time when the distribution resolution is passed.
- Relative to the operations in financial instruments, the difference between the fair value of the instruments compared to the amount paid, or cashed in, is posted to the income statement only in those cases when the fair value can be reliably calculated, when valuation models are used that are based on market parameters, when observable prices for recent transactions in the same market where the instrument is traded exist. In the absence of these conditions the estimated difference is posted to the income statement, with a linear accrual over the period of the operations involved.

Revenue and costs are recorded in the income statement for the periods to which their income relates. If matching can be attributed generally or indirectly, then the costs are allocated to more than one period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenue are immediately charged to the income statement.

Regular way purchases and sales of financial assets

For purposes of recognition in the financial statements of the regular way purchases and sales of financial assets – whereby those are meant which are carried out based on contracts whose terms require the delivery of the asset within a timeframe established by regulations or market conventions – it was decided to make reference to the settlement date.

Share-based payments

The group companies purchased the shares of the Parent based on its treasury share repurchase plan for the free allocation of shares employees.

The aforesaid shares are carried at fair value. The change in the fair value was recorded in the income statement as at the passing of the relative resolution by the Shareholders Meeting on 31.12.2013, with a balancing entry under having equity.

Derecognition criteria

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or when the asset is sold, substantially transferring all the risks and rewards connected to the assets.

Financial liabilities are derecognised when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued securities.

Part B – Consolidation criteria and scope of consolidation

CONSOLIDATION CRITERIA

These consolidated financial statements include, as well as the financial statements of the Parent Intesa Sanpaolo Vita, those of the subsidiaries Intesa Sanpaolo Life, Intesa Sanpaolo Assicura, EurizonVita (Beijing) Business Advisory, and Intesa Sanpaolo Smart Care.

In compliance with IAS 27, all the investments in subsidiaries, including those operating in business sectors that are different from that of the Parent are consolidated with the line-by-line method, which establishes the following:
– The financial statements drawn up, according to the IFRS, of the Parent and its subsidiaries are grouped line item by line item, summing all the values of the assets, liabilities, equity, revenue and costs.
– The carrying amount of the investments of the Parent in each subsidiary and the corresponding part of the equity cancel one another out and the non-controlling interest in the profit or loss for the year and of the equity is shown.
– Any positive differences between the carrying amount of the investments of the Parent in each subsidiary and the corresponding part of the equity are posted to asset items of the subsidiary which they refer to and, for the remaining part, to goodwill at the time of the first consolidation and, afterwards, among the equity reserves. The negative differences are posted to the income statement. In the case where the investments owned by the Parent come from operations carried out with companies of the Intesa Sanpaolo Group, because they are transactions between entities under common control and in the absence of explicit information regarding this situation in the IFRS, there was analogically applied the principle of the continuity of the values.
– Intragroup balances and transactions, including the revenue, costs and dividends are eliminated.

All the financial statements of the entities included within the consolidation scope refer to the same reporting date and are expressed in Euros.

Segment reporting by geographical segment is not presented because the Group largely operates at domestic level.

The consolidation scope includes SPEs, SICAVs (open-ended investment companies) and mutual funds in which the internal funds of the Unit Linked products or, in marginal measure, the internal segregated funds and the unrestricted capital, if the company owns the majority of the outstanding shares, can be invested. Consequently, with reference to the units of mutual funds that have been consolidated but are not owned by the Group, the following have been posted:
– In the caption 5.3 “Other payables” a liability to third parties that corresponds to the units that they own.
– In the caption 1.6 “Other revenue” or in the item 2.6 “Other expense” the relative part of the loss/gain.

The financial statements taken as the basis for the process of line-by-line consolidation are those as at 31 December 2013, as they were approved by the competent bodies of the subsidiaries, adjusted where necessary to comply with the parent’s accounting policies. All the entities and companies of the Group use the Euro as their functional and presentation currencies.

The segment reporting is based on the significant business segments in which the Group operates as follows:
– Non-life Insurance business.
– Life Insurance business.

The detail is given in the attachments to the Notes called “Statement pf Financial Position by business segment” and “Income Statement by business segment”.

SCOPE OF CONSOLIDATION

Investments in subsidiaries, including in entities operating in business sectors that are different from that in which the parent operates, are consolidated on a line-by-line basis.

Included in the line-by-line consolidation are SPEs, SICAVs (open-ended investment companies) and mutual funds, if the company holds the majority of the outstanding shares.

For the detail of the entities consolidated as at 31 December 2013, reference should be made to the attachment to the Notes called "Scope of consolidation".

Part C – Information on the statement of financial position

INTANGIBLE ASSETS (CAPTION 1)

They amount to 631,656 thousand euro (631,894 thousand euro at 31 December 2012).

This item mainly comprises goodwill and the expenses incurred for software acquired from third parties or developed internally. The table below provides a breakdown of the item in question:

(in thousands of euro)

	At cost	At revaluation or at fair value	Total book value as at 31.12.2013	At cost	At revaluation or at fair value	Total book value as at 31.12.2012
Goodwill	631,656		631,656	631,656		631,656
Other intangible assets	329		329	238		238
Total	**631,985**	**-**	**631,985**	**631,894**	**-**	**631,894**

Goodwill, amounting to 631,656 thousand euro, unchanged from the previous year, is essentially referred to the non-recurring transactions in which the group was involved, especially the companies Intesa Sanpaolo Vita and Sud Polo Vita merged into the Parent as at 31 December 2011.

The recognition of the sustainability of the goodwill entry was conducted by benchmarking it against the overall intrinsic value of the Vita portfolio measured as at 31 December 2012. The discount rate used to determine the intrinsic value was derived from the Italian government reference curve as at 31.12.12 adjusted downwards for the so-called *"Fundamental spread"* component, variable by curve node (47 basis points at 10 years). The aforesaid measurement, which states values significantly higher than the goodwill value, was supported by the elements characterising the 2013 operations and mainly:

- the positive evolution of the new production, recording significant amounts and on products with a relative margin above the portfolio's average, resulted in an increase in assets under management;
- the positive evolution of operating costs, on a downward trend for 2013 as well, further contributes to improving the future margin of the existing portfolio;
- the positive evolution of the financial markets led to an improvement in the realised/unrealised gains or losses compared to the market values of segregated funds;
- the estimate of the variation potentially induced by the six-monthly evolution which did not highlight elements such as to consider as significant the downward prudential adjustments to be made to such measurement.

In support of the elements of the "closed portfolio" as at 31 December 2013, it is also necessary to consider that the positive performance recorded by the production in the first weeks of 2014 and the forecasts on the entire year do not show any elements of significant discontinuity from 2013 and such as to be able to adversely impact the events subsequent to the measurement made.

The measurement as at 31 December 2012 and the changes recognised during 2013 result in a higher portfolio value that the carrying amount, therefore, no impairment losses were recognised.

The reduction in the value of the other intangible assets compared to the amount thereof as at 31 December 2012 is due to the allocation of amortisation for the year.

The table below provides a breakdown of the changes during 2013:

(in thousands of euro)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total 31.12.2013	Total 31.12.2012
		Limited term	Unlimited term	Limited term	Unlimited term		
Gross initial carrying amount	647,455	-	-	7,650	-	655,105	690,194
Total net adjustments	-15,799	-	-	-7,412	-	-23,211	-50,587
Net initial carrying amount	**631,656**	**-**	**-**	**238**	**-**	**631,894**	**639,607**
Increases	**-**	**-**	**-**	**338**	**-**	**338**	**205**
– Purchases	-	-	-	313	-	313	-
– New entities included in the scope of consolidation	-		-	-	-	-	-
– Increases of internally generated intangible assets	-	-	-	-	-	-	-
– Other positive changes	-	-	-	25	-	25	205
Decreases	**-**	**-**	**-**	**-247**	**-**	**-247**	**-7,918**
– Sales	-	-	-	-	-	-	-201
– Amortisation	-	-	-	-247	-	-247	-1,428
– Value adjustments recognised in the income statement	-	-	-	-	-	-	-
– Transfers of non-current assets held for sale and discontinued operations	-		-	-	-	-	-
– Other negative changes	-	-	-	-	-	-	-
– Outgoing companies	-		-	-	-	-	-6,289
Final carrying amount	**631,656**	**-**	**-**	**329**	**-**	**631,985**	**631,894**
Total net adjustments	-15,799	-	-	-7,659		-23,458	-23,211
Gross final carrying amount	647,455	-	-	7,988		655,443	655,105

OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT (CAPTION 2.2)

This caption amounting to 884 thousand euro (658 thousand euro at 31 December 2012) mainly comprises property, plant and office equipment.
The table below provides a breakdown of the changes that took place during 2013:

(in thousands of euro)

	Furniture and fittings	Electronic plants and equipment	Other assets	Total 31.12.2013	Total 31.12.2012
Gross initial carrying amount	1,189	1,099	374	2,662	11,253
Total net adjustments	-679	-989	-336	-2,004	-10,428
Net initial carrying amount	**510**	**110**	**38**	**658**	**825**
Increases	**21**	**422**	**29**	**472**	**876**
– Purchases	21	422	28	471	78
– New entities included in the scope of consolidation	-	-	-	-	-
– Other positive changes	-	-	1	1	798
Decreases	**-124**	**-95**	**-27**	**-246**	**-1,043**
– Sales	-	-	-	-	-807
– Amortisation	-112	-94	-27	-233	-213
– Transfers of non–current assets held for sale and discontinued operations	-	-	-	-	-
– Other negative changes	-12	-1	-	-13	-
– Outgoing companies	-	-	-	-	-23
Final carrying amount	**407**	**437**	**40**	**884**	**658**
Total net adjustments	-791	-1,083	-363	-2,237	-2,004
Gross final carrying amount	1,198	1,520	403	3,121	2,662

REINSURERS' SHARE OF INSURANCE PROVISIONS (CAPTION 3)

The balance amounts to 14,134 thousand euro (13,330 thousand euro at 31 December 2012) with an increase of 804 thousand euro compared 31 December 2012. The breakdown by provision type is shown in the annex to the Notes "Breakdown of reinsurers' share of insurance provisions".

The reinsurance contracts are entered into with leading counterparties whose degree of solvency is supported by the high ratings assigned.

INVESTMENTS (CAPTION 4)

Total investments (investment property, equity investments and financial assets) amount to 78,917,047 thousand euro (72,863,070 thousand euro at 31 December 2012).

Investment property (caption 4.1)

This caption amounts to 19,579 thousand euro (19,744 thousand euro in 2012) and is essentially unchanged from the previous year end. The table below provides a breakdown of the changes that took place during 2013:

(in thousands of euro)

	Land	Buildings	Total 31.12.2013	Total 31.12.2012
Gross initial carrying amount	16,302	4,942	21,244	30,021
Total net adjustments	-	-1,500	-1,500	-1,942
Net initial carrying amount	**16,302**	**3,442**	**19,744**	**28,079**
Increases	**-**	**-**	**-**	**-**
– Purchases	-	-	-	-
– Transfer from investment property	-	-	-	-
– Other positive changes	-	-	-	-
Decreases	**-**	**-165**	**-165**	**-8,335**
– Sales	-	-	-	-
– Amortisation	-	-165	-165	-165
– Losses on disposal	-	-	-	-
– Other negative changes	-	-	-	-8,170
Final carrying amount	**16,302**	**3,277**	**19,579**	**19,744**
Total net adjustments	-	-1,665	-1,665	-1,500
Gross final carrying amount	16,302	4,942	21,244	21,244

The building portion is amortised in 30 years with a 3.33% rate.

Financial assets (captions 4.3, 4.4, 4.5 and 4.6)

Financial assets amount to 78,897,468 thousand euro (72,830,126 thousand euro at 31 December 2012). The corresponding details, broken down by classification category and investment type, are shown in the annex to the Notes "Financial assets".

Loans and receivables (caption 4.4)

They amount to 78,138 thousand euro (89,550 thousand euro at 31 December 2012) and are broken down as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Loans and receivables from bank customers	2,008	-
Loans and receivables from banks	73,403	88,675
Deposits under reinsurance business	91	91
Other loans and receivables	2,636	784
– policy loans	467	784
– collateral loans	-	-
– employee loans	-	-
– others	2,169	-
Total	**78,138**	**89,550**

The maximum exposure to the credit risk on Loans and receivables amounts to 78,138 thousand euro, i.e. the carrying amount of such assets.

Loans and receivables with banks are mainly short-term.

The "Others" category includes the investment in BluGem Luxembourg and Profit Participating Equities Certificates.

Available-for-sale Financial assets (caption 4.5)

They amount to 54,649,328 thousand euro (43,671,913 thousand euro at 31 December 2012), comprise mainly bonds and are broken down as follows:

(in thousands of euro)

	31.12.2013				31.12.2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities	49,626,535	2,075,731	260,498	51,962,764	38,544,198	3,194,011	317,774	42,055,983
Equities	618,367	1	145,261	763,629	368,310	-	133,488	501,798
– Measured at cost	-	-	51	51	-	-	51	51
– Measured at fair value	618,367	1	145,210	763,578	368,310	-	133,437	501,747
UCI shares	1,837,115	79,723	6,097	1,922,935	1,065,748	42,349	6,035	1,114,132
Total	**52,082,017**	**2,155,455**	**411,856**	**54,649,328**	**39,978,256**	**3,236,360**	**457,297**	**43,671,913**

For the changes in the level 3 component, reference is made to the annex to the Notes "Changes in level 3 financial assets and liabilities".

The *impairment test* on investments classified as available for sale, which was conducted in compliance with the criteria set out in detail in the section on the accounting policies, resulted in the attribution of expenses equal to 7,540 thousand euro. 1 thousand euro of the said amount is accounted for by the impairment of government bonds, 5,311 thousand euro by impairment loss on equity instruments and 2,228 thousand euro by UCI shares.

The following table illustrates the carrying amount of Intesa Sanpaolo Vita Group exposures to sovereign risk:

(in thousands of euro)

	DEBT SECURITIES	
	Government bonds	Other debt securities
	Book value	Book value
EU Countries	**41,642,605**	**9,057,576**
Austria	15,535	2,006
Belgium	13,526	8,784
Czech Republic	-	2,071
Denmark	-	34,235
Finland	3,086	-
France	69,610	562,170
Germany	1,601,654	300,243
Hungary	5,996	-
Ireland	81,044	252,861
Italy	39,702,421	6,011,690
Liechtenstein	-	12,369
Lithuania	-	-
Luxembourg	-	522,419
The Netherlands	12,682	495,934
Norway	-	5,588
Portugal	20,732	50,756
Spain	116,319	384,943
Sweden	-	26,151
United Kingdom	-	385,356
USA	**452,010**	**439,717**
Other countries	**196,775**	**174,081**
TOTAL	**42,291,390**	**9,671,374**

The table below provides a breakdown of the changes in this caption that took place during 2013:

(in thousands of euro)

	Debt securities	Equities	UCI shares	Total 31.12.2013	Total 31.12.2012
Initial amount	**42,055,983**	**501,798**	**1,114,132**	**43,671,913**	**37,684,142**
Increases	**33,109,892**	**487,985**	**1,860,285**	**35,458,162**	**27,254,493**
– Purchases	27,954,788	337,124	1,742,882	30,034,794	19,131,499
– New entities included in the scope of consolidation	-	-	-	-	-
– Positive exchange rate adjustments	-	-	-	-	-
– Positive fair value differences recognised using the equity method	1,358,732	133,865	52,004	1,544,601	4,876,620
– Positive fair value differences recognised in the income statement (hedging transactions)	-	-	149	149	-
– Income from trading	320,951	-	20,294	341,245	1,463,259
– Transfers from other portfolios	-	-	-	-	-
– Other positive changes	3,475,421	16,996	44,956	3,537,373	1,783,115
Decreases	**-23,203,111**	**-226,154**	**-1,051,482**	**-24,480,747**	**-21,266,722**
– Sales	-17,125,251	-145,797	-941,433	-18,212,481	-19,050,216
– Refunds	-1,895,146	-	-	-1,895,146	-1,180,395
– New entities included in the scope of consolidation	-	-	-	-	-
– Negative fair value differences recognised in the income statement (deterioration)	-1	-5,311	-2,228	-7,540	-
– Negative fair value differences recognised using the equity method	-162,539	-2,883	-52,583	-218,005	-753,564
– Transfers to other portfolios	-	-	-	-	-
– Loss from trading	-162,666	-	-43,794	-206,460	-96,736
– Transfer to non-performing loans	-	-	-	-	-
– Value adjustments for hedging transactions	-	-	-	-	-10,327
– Negative exchange differences	-36,232	321	-1,056	-36,967	-10,404
– Other negative changes	-3,821,276	-72,484	-10,388	-3,904,148	-165,080
Final carrying amount	**51,962,764**	**763,629**	**1,922,935**	**54,649,328**	**43,671,913**

Financial assets designated at fair value through profit or loss (caption 4.6)

They amount to 24,170,002 thousand euro (29,068,663 thousand euro at 31 December 2012) of which 1,059,180 thousand euro relates to assets held for trading and 23,110,822 thousand euro relates to assets at fair value.

Financial assets held for trading

Financial assets held for trading amount to 1,059,180 thousand euro (1,290,177 thousand euro at 31 December 2012).

Changes in level 3 financial assets held for trading are set out in the annex to the Notes "Changes in level 3 financial assets and liabilities".

The breakdown of the caption at 31 December 2013 is set out below:

(in thousands of euro)

	31.12.2013				31.12.2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities	192,735	243,841	5,494	442,070	230,256	693,463	18,593	942,312
Equities	-	-	-	-	-	-	-	-
UCI shares	397,651	-	-	397,651	152,970	-	-	152,970
Derivative instruments	17,768	200,654	1,037	219,459	1,762	190,606	2,527	194,895
Total	**608,154**	**444,495**	**6,531**	**1,059,180**	**384,988**	**884,069**	**21,120**	**1,290,177**

The table below provides a breakdown of changes in the caption, with the exclusion of derivatives, that took place during 2013:

(in thousands of euro)

	Debt securities	Equities	UCI shares	Total 31.12.2013	Total 31.12.2012
Initial amount	**942,312**	**-**	**152,970**	**1,095,282**	**1,335,660**
Increases	**857,360**	**-**	**626,702**	**1,484,062**	**2,745,274**
– Purchases	5,419	-	291,506	296,925	438,394
– New entities included in the scope of consolidation				-	-
– Positive fair value differences recognised in the income statement	13,817	-	12,075	25,892	162,920
– Income from trading	5,902	-	2,208	8,110	67,494
– Other positive changes	832,222	-	320,913	1,153,135	2,076,466
Decreases	**-1,357,602**	**-**	**-382,021**	**-1,739,623**	**-2,985,652**
– Sales	-1,165,058	-	-279,212	-1,444,270	-2,279,783
– Refunds	-111,437	-	-	-111,437	-606,373
– Negative fair value differences recognised in the income statement	-550	-	-357	-907	-2,651
– Loss from trading	-4,781	-	-1	-4,782	-3,180
– Other negative changes	-75,776	-	-102,451	-178,227	-93,665
Final carrying amount	**442,070**	**-**	**397,651**	**839,721**	**1,095,282**

Assets designated at fair value through profit or loss

Assets designated at fair value through profit and loss amount to 23,110,822 thousand euro (27,778,486 thousand euro at 31 December 2012).

The breakdown of this caption at 31 December 2013 is set out below:

(in thousands of euro)

	31.12.2013				31.12.2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities	9,155,345	3,838,299	110,911	13,104,555	13,273,118	5,839,033	255,080	19,367,231
Equities	158,451	-	-	158,451	393,305	-	-	393,305
UCI shares	9,183,872	64,541	-	9,248,413	6,201,277	55,773	5,349	6,262,399
Other financial investments	252,267	117,674	229,274	599,215	196,726	131,560	1,417,192	1,745,478
Derivative instruments	188	-	-	188	10,073	-	-	10,073
Total	**18,750,123**	**4,020,514**	**340,185**	**23,110,822**	**20,074,499**	**6,026,366**	**1,677,621**	**27,778,486**

Derivative instruments are associated with primary investments held by the Group or with derivative transactions aimed at the acquisition of primary investments. The associated derivatives are aimed at minimising the financial risks inherent in the investment portfolio.

On 19 December 2013, the Board of Directors of Intesa Sanpaolo Vita resolved to terminate the *hedge accounting* under the purchase that took place in 2007. The said hedge consisted of an *Interest Rate Swap* aimed at reducing the risk of a rise in interest rates in order to hedge against a possible write down of the *fair value* of 3 positions in associated BTPs (Italian Treasury Bonds) entered under two segregated funds. The position, set up prior to the global financial crisis, is recording a significant decline in the return of the overall position as a result of the major fluctuations of the spread of Italian securities, which was not foreseeable at the time of the decision of the hedging strategy. The termination of the hedge accounting is a first step towards the gradual reduction of the position in the portfolio.

The table below provides a breakdown of the changes in the caption, with the exclusion of derivatives, that took place during 2013:

(in thousands of euro)

	Debt securities	Equities	UCI shares	Other financial investments	Total 31.12.2013	Total 31.12.2012
Initial amount	**19,367,231**	**393,305**	**6,262,399**	**1,745,478**	**27,768,413**	**35,952,835**
Increases	**2,339,558**	**114,110**	**5,886,881**	**518**	**8,341,067**	**11,052,267**
– Purchases	496,454	1,317	1,774,003	-	2,271,774	2,584,033
– New entities included in the scope of consolidation	-	-	-	-	-	-
– Positive fair value differences recognised in the income statement	427,946	46,099	524,837	3,221	1,002,103	1,991,888
– Income from trading	228,155	33,518	382,192	130	643,995	639,743
– Other positive changes	1,187,003	33,176	3,205,849	-2,833	4,423,195	5,836,603
Decreases	**-8,602,234**	**-348,964**	**-2,900,867**	**-1,146,781**	**-12,998,846**	**-19,236,689**
– Sales	-427,139	-464	-2,593,188	-	-3,020,791	-2,921,144
– Refunds	-952,722	-	-	-	-952,722	-1,004,536
– Negative fair value differences recognised in the income statement	-654,001	-64,036	-163,152	-798	-881,987	-462,305
– Loss from trading	-50,030	-26,110	-86,601	-35	-162,776	-397,914
– Other negative changes	-6,518,342	-258,354	-57,926	-1,145,948	-7,980,570	-14,450,790
Final carrying amount	**13,104,555**	**158,451**	**9,248,413**	**599,215**	**23,110,634**	**27,768,413**

Changes in level 3 assets at fair value through profit or loss are set out in the annex to the Notes “Changes in level 3 financial assets and liabilities”.

The category also includes assets used to hedge contracts where the financial risk is borne by the policyholders, which amount to 19,913,412 thousand euro.

The annex to the Notes “Financial assets and liabilities relating to contracts issued by insurance companies where the financial risk is borne by the policyholders and related to pension funds” shows a comparison with the Group’s commitments vis-à-vis policyholders.

In relation to the values shown in the table above, it is specified that the intragroup assets netted in the consolidation process include solely the value of the OEICs subject to consolidation in line with the provisions laid down by IAS 27 and IFRIC through Sic 12.

OTHER RECEIVABLES (CAPTION 5)

They amount to 588,435 thousand euro (147,568 thousand euro at 31 December 2012).

Other receivables include, in particular, receivables due from the Parent for payment of IRES advance taxes in the amount of 450,295 thousand euro, receivables due from the tax authorities in the amount of 38,030 thousand euro and 38,921 thousand euro from receivables for unit and index linked policy commissions.

The following table sets out details of the item as at 31 December 2013:

(in thousands of euro)

	31.12.2013	31.12.2012
Receivables arising out of direct insurance operations (caption 5.1)	**24,405**	**21,025**
Receivables from the insured for premiums	11,137	11,565
Receivables from intermediaries	8,920	5,107
Receivables from companies for co-insurance contracts	3,827	4,192
Other receivables from direct insurance operations	521	161
Receivables arising out of reinsurance operations (caption 5.2)	**2,073**	**856**
Other receivables (caption 5.3)	**561,957**	**125,687**
Tax receivables	38,030	57,611
Management commissions on unit-linked policies	38,921	38,699
Receivables from Intesa Sanpaolo for advance tax	450,295	8,914
Other receivables	34,711	20,463
Total	**588,435**	**147,568**

OTHER ASSETS (CAPTION 6)

They amount to 1,494,670 thousand euro (1,246,386 thousand euro at 31 December 2012).

(in thousands of euro)

	31.12.2013	31.12.2012
Non-current assets or disposal groups classified as held for sale	-	-
Deferred acquistion costs	331	891
Deferred tax assets	160,205	131,347
Tax receivables	1,248,102	1,011,579
Other assets	86,032	102,569
– Deferred commissions on investment contracts	*73,558*	*87,717*
– Other assets	*12,474*	*14,852*
Total	**1,494,670**	**1,246,386**

Deferred acquisition costs (caption 6.2)

The item includes deferred acquisition costs associated with insurance contracts, mainly related to the Group's non-life insurance portfolio (331 thousand euro).

Deferred tax assets (caption 6.3)

Deferred tax assets include deferred tax assets recognised in profit or loss in the amount of 160,205 thousand euro (131,347 thousand euro in 2012).

(in thousands of euro)

	31.12.2013	31.12.2012
Deferred tax assets recorded as a balancing entry under the income statement	160,058	131,284
Deferred tax assets recorded as a balancing entry under shareholders' equity	147	63
Total	**160,205**	**131,347**

The table below provides a summary of the changes in this caption:

(in thousands of euro)

	Deferred tax assets recorded as a balancing entry under the income statement	Deferred tax assets recorded as a balancing entry under shareholders' equity	Total 31.12.2013	Total 31.12.2012
Initial amount	**131,284**	**63**	**131,347**	**1,966,326**
Increases	**68,337**	**84**	**68,421**	**37,985**
New entities included in the scope of consolidation	-	-	-	-
Deferred tax assets recognised in the period	55,410	84	55,494	37,985
– related to previous years			-	-
– due to changes in accounting criteria			-	63
– recoveries		-	-	-
– others	55,410	84	55,494	37,922
New taxes or tax rate increases	-	-	-	-
Other positive changes	12,927	-	12,927	-
Decreases	**-39,563**	**-**	**-39,563**	**-1,872,964**
Deferred tax assets cancelled in the period			-	-
New taxes or tax rate increases				
Reversals	-39,563	-	-39,563	-1,674,096
Tax rate reductions	-	-	-	-
Outgoing companies				-60,756
Other negative changes	**-**	**-**	**-**	**-138,112**
Final amount	**160,058**	**147**	**160,205**	**131,347**

Deferred tax assets, derive from deductible temporary differences, such as losses on securities, amortisation of insurance contract portfolios, provisions for risks and charges, amortisation of intangible assets, as well as unused tax losses being carried forward. Deferred tax assets were determined by using the current tax rate.

Current tax assets (caption 6.4)

Current tax assets amount to 1,248,102 thousand euro (1,011,579 thousand euro in 2012). The caption includes payments on account and other tax receivables for taxes withheld or other prior year tax assets that can be offset against taxes from subsequent financial periods. The item also includes assets deriving from tax accounting on mathematical provisions pursuant to art. 1, paragraph 2, of Legislative Decree no. 209/2002 as converted by art. 1 of Law no. 265/2002 as subsequently amended.

The following table sets out details of the caption at 31 December 2013:

(in thousands of euro)

	31.12.2013	31.12.2012
Income taxes	156,526	54,638
Tax on mathematical reserves	1,091,576	956,941
Total	**1,248,102**	**1,011,579**

Other assets (caption 6.5)
Other assets amount to 86,032 thousand euro (102,569 thousand euro at 31 December 2012). The caption mainly comprises deferred commission expense in the amount of 73,558 thousand euro associated with products of a financial nature without discretionary participation features, such as Index Linked and Unit Linked policies.

The following table sets out details of the item at 31 December 2013:

(in thousands of euro)

	31.12.2013	31.12.2012
Deferred commissions on investment contracts	73,558	87,717
Other assets	12,474	14,852
Total	**86,032**	**102,569**

CASH AND CASH EQUIVALENTS (CAPTION 7)
At year-end, cash and cash equivalents amount to 2,117,695 thousand euro (4,702,399 thousand euro at 31 December 2012). The caption includes cash and cash equivalents and demand deposits, including treasury current accounts.

EQUITY (CAPTION 1)

The caption includes equity instruments making up equity, in line with the rules laid down by the Civil Code and the laws regulating the insurance sector, taking into account the necessary adjustments for consolidation purposes. The table below provides a breakdown of the item in question as at 31 December 2013:

(in thousands of euro)

	31.12.2013	31.12.2012
Share capital	320,323	320,323
Capital reserves	1,327,197	1,327,197
Revenue reserve and other reserves	2,014,450	2,335,077
Treasury shares	-	-
Reserves for currency translation differences	- 3	2
Reserve for unrealised gains and losses on assets available for sale	321,048	252,676
Reserve for other unrealised gains and losses through equity	- 387	- 165
Group's share of profit (loss) for the period	346,699	342,806
Total Group shareholders' equity	**4,329,327**	**4,577,916**

The change in equity mainly derives from the contribution of the profit for the year, the repayment of 275 million euro for future capital increase made by Intesa Sanpaolo Vita in favour of the Ultimate Parent Intesa Sanpaolo, the distribution of reserves to Shareholders in the amount of 388.4 million and the change in the fair value reserve. For further information on the distribution of the equity items reference is made to the paragraph relating to non-recurring and capital management transactions.

Share capital (caption 1.1.1)
The share capital includes the contribution of the consolidating Parent Intesa Sanpaolo Vita in the amount of 320,323 thousand euro, divided into 647,398,627 ordinary registered shares with no par value.

Capital reserves (caption 1.1.3)
The capital reserves are represented by the share premium provision of Intesa Sanpaolo Vita and amount to 1,327,197 thousand euro.

Revenue reserves and other reserves (caption 1.1.4)

The item includes the legal reserve, the statutory reserve, the extraordinary reserve and the other reserves. It also includes the IFRS FTA reserve. These reserves amount to 2,014,450 thousand euro, compared to 2,335,077 thousand at 31 December 2012.

The transactions are essentially referred to the distribution of the profit for the previous year, the repayment of 275 million euro made by Intesa Sanpaolo Vita in favour of the ultimate Parent Intesa Sanpaolo for future capital increase payments relating to previous periods and the distribution of reserves to Shareholders in the amount of 388.4 million.

Reserve for unrealised gains and losses on assets available for sale (caption 1.1.7)

The caption includes the unrealized gains and losses deriving from the measurement of the financial instruments classified as available for sale.

As a result of the application of the *shadow accounting*, the differences between the fair value and the cost of the afore-mentioned securities, net of the tax effects, are entered under this reserve for the sole part pertaining to the group; the policyholders' portion is included under the technical provisions. The table below provides a breakdown of the caption in question as at 31 December 2013:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Positive reserve	Negative reserve	Total	Positive reserve	Negative reserve	Total
Total gross of shadow accounting	2,145,393	-117,394	2,027,999	1,297,709	-485,675	812,034
– Debt securities	1,910,183	-71,182	1,839,001	1,159,792	-467,872	691,920
– Equities	144,755	-1,409	143,346	64,245	-13,605	50,640
– UCI shares	90,455	-44,803	45,652	73,672	-4,198	69,474
Shadow accounting	-1,638,542	96,326	-1,542,216	-703,037	271,696	-431,341
Total gross of tax	506,851	-21,068	485,783	594,672	-213,979	380,693
Tax effects	-173,956	9,221	-164,735	-204,092	76,075	-128,017
Total	**332,895**	**-11,847**	**321,048**	**390,580**	**-137,904**	**252,676**

The table below provides a breakdown of the transactions of changes in the caption in question that took place during 2013:

(in thousands of euro)

	Debt securities	Equities	UCI shares	Total 31.12.2013	Total 31.12.2012
Initial amount	**214,758**	**14,825**	**23,093**	**252,676**	**-993,909**
Increases	**70,603**	**27,236**	**-2,848**	**94,991**	**1,389,638**
– New entities included in the scope of consolidation				-	-
– Positive fair value differences	202,468	25,558	7,762	235,788	1,092,863
– Operating allocations	52,109	3,806	479	56,394	269,730
– Impairment losses				-	-
– Other positive changes	-183,974	-2,128	-11,089	-197,191	27,045
Decreases	**-6,580**	**-5,373**	**-14,666**	**-26,619**	**-143,053**
– New entities included in the scope of consolidation				-	-
– Negative fair value differences	-25,345	-415	-8,636	-34,396	-141,088
– Impairment losses	-	281	-163	118	-2,470
– Benefits paid	-3,128	79	-5,915	-8,964	-35,900
– Outgoing companies					71,132
– Other negative changes	21,893	-5,318	48	16,623	-34,727
Final amount	**278,781**	**36,688**	**5,579**	**321,048**	**252,676**

PROVISIONS (CAPTION 2)

As at 31 December 2013, provisions amount to 8,315 thousand euro (15,465 thousand euro at 31 December 2012) and comprise other provisions amounting to 8,315 thousand euro (14,748 thousand euro at 31 December 2012). Other provisions mainly comprise allowances for future personnel expenses and allowances for product disputes. The other decreases mainly consist of savings on expenses allocated to support the Intesa Sanpaolo Vita merger operation.

The table below provides a breakdown of changes in the caption in question that took place during 2013:

(in thousands of euro)

	Provisions associated with tax aspects	Other provisions	Total 31.12.2013	Total 31.12.2012
Initial amount	**717**	**14,748**	**15,465**	**17,451**
Increases	**-**	**2,674**	**2,674**	**6,518**
– Increases “	-	-	-	-
– Operating allocations	-	860	860	2,817
– Other increases	-	1,814	1,814	3,701
Decreases	**-717**	**-9,107**	**-9,824**	**-8,504**
– Benefits paid	-	-4,774	-4,774	-1,205
– Outgoing companies	-	-	-	-980
– Other decreases	-717	-4,333	-5,050	-6,319
Final carrying amount	**-**	**8,315**	**8,315**	**15,465**

INSURANCE PROVISIONS (CAPTION 3)

The table below provides a breakdown of the item in question at 31 December 2013:

(in thousands of euro)

	Direct business	Indirect business	Total 31.12.2013	Total 31.12.2012
Non-life insurance provisions	**474,900**	**-**	**474,900**	**419,155**
Provision for unearned premium	311,925	-	311,925	288,214
Provisions for outstanding claims	162,274	-	162,274	127,705
Other insurance provisions	701	-	701	3,236
– of which reserves posted following liability adeguacy test	-	-	-	-
Life reserves	**57,927,470**	**-**	**57,927,470**	**50,717,742**
Mathematical provisions	53,118,271	-	53,118,271	45,577,391
Reserve for amounts to be disbursed	281,936	-	281,936	261,302
Provisions where the investment risk is borne by the policyholders and for pension funds	3,095,767	-	3,095,767	4,603,629
Other reserves	1,431,496	-	1,431,496	275,420
Total	**58,402,370**	**-**	**58,402,370**	**51,136,897**

The insurance provisions of the life business grew by 14%. This change can be referred to the performance of the portfolio, which records net inflows, to the revaluation of performances and the trend of the shadow accounting provision (included in the other insurance provisions), which shows a significant increase, especially in relation to the performance of the financial markets

The *Liability Adequacy Test* (LAT) did not show any shortcomings to be recognised in the income statement.

The table below shows the details of the mathematical provisions and the insurance provisions where the investment risk is borne by the policyholders:

(in thousands of euro)

	Mathematical provisions	Provisions for policies where the investment risks is borne by the policyholders and provisions for pension fund	Total 31.12.2013	Total 31.12.2012
Mathematical provisions at the start of the period	**45,577,391**	**4,603,629**	**50,181,020**	**54,171,466**
New entities included in the scope of consolidation	-	-	-	-
Change in premiums	11,145,287	94,132	11,239,419	4,877,603
Income and other bonuses recognised to insured parties	1,193,556	115,788	1,309,344	1,697,132
Exchange rate adjustments	-	-	-	-
Portfolio transactions	-14,325	-265,338	-279,663	-
Change in payments	-4,781,011	-1,452,444	-6,233,455	-6,951,778
Outgoing companies				-3,613,776
Other changes	-2,627	-	-2,627	373
Mathematical provisions at the end of the period	**53,118,271**	**3,095,767**	**56,214,038**	**50,181,020**

The change in the two categories of provisions is impacted by the campaign aimed at the conversion of some Index linked insurance products into traditional products completed by the Parent during the year, which resulted in customer subscriptions amounting to approximately 261 million euro.

Insurance provisions and financial liabilities of the life business

Insurance provisions and financial liabilities amount to 74,741,217 thousand euro (67,796,481 thousand euro in 2012). In the life portfolio, the contracts falling within the scope of application of IFRS 4, the insurance contracts and the investment contracts with discretionary participation features account for 89% (91% in 2012), while the investment contracts falling within the scope of the IAS 39 account for 11% (9% in 2012).

Non-life insurance provisions

In the non-life segment, the increase in insurance provisions (+13% as at 31 December 2013) is imputable to the portfolio increase and the consequent change in the provision for unearned premium and the evolution of the provision for outstanding claims. The aforesaid provisions are mainly referred to the portfolio held by the company Intesa Sanpaolo Assicura.

The breakdown by line of business of the provision for unearned premiums as at 31 December is detailed in the following table:

(in thousands of euro)

	Provision for unearned premiums	Unexpired risk reserves	Total provision for unearned premiums	Provisions for outstanding claims	Other insurance provisions
Accidents	44,071	-	44,071	10,324	31
Health	64,201	-	64,201	25,666	2
Land vehicles	4,723	22	4,745	3,648	110
Fire and natural elements	60,891	-	60,891	5,795	307
Property and casualty	3,222	-	3,222	3,083	0
Motor third-party liability	29,091	-	29,091	62,963	-
Marine third-party liability	1	7	8	45	-
General third-party liability	2,093	-	2,093	8,653	-
Credit	9,007	-	9,007	614	1
Surety	536	1,305	1,841	2,376	-
Financial losses	87,335	3,142	90,477	38,075	-
Legal protection	377	-	377	735	-
Assistance	1,901	-	1,901	297	-
Total	**307,449**	**4,476**	**311,925**	**162,274**	**451**

The comparison of the provision for unearned premiums by line of business with the previous year is detailed in the following table:

(in thousands of euro)

	Provision for unearned premiums 31.12.2013	Provision for unearned premiums 31.12.2012
Accidents	44,071	44,369
Health	64,201	65,720
Land vehicles	4,745	3,926
Fire and natural elements	60,891	54,611
Property and casualty	3,222	3,585
Motor third-party liability	29,091	23,086
Marine third-party liability	8	6
General third-party liability	2,093	1,880
Credit	9,007	5,552
Surety	1,841	707
Financial losses	90,477	83,116
Legal protection	377	270
Assistance	1,901	1,386
Total	**311,925**	**288,214**

The comparison of the provision for outstanding claims by line of business with the previous year is detailed in the following table:

(in thousands of euro)

	Total 31.12.2013	Total 31.12.2012
Accidents	10,324	9,088
Health	25,666	25,291
Land vehicles	3,648	1,848
Fire and natural elements	5,795	5,459
Property and casualty	3,083	3,452
Motor third-party liability	62,963	40,179
General third-party liability	8,698	6,821
Credit	614	287
Surety	2,376	32
Financial losses	38,075	34,451
Legal protection	735	619
Assistance	297	178
Total	**162,274**	**127,705**

With reference to the provision for outstanding claims, the tables below show the triangular matrix of development of the claims for the main line of business in which the group operates (net of reinsurance) for the last 5 years of occurrence from 2009 to 2013. The amounts are stated in thousands of euro. In consideration of the marginality of the Parent's non-life portfolio, the report on the development of the claims is only detailed with reference to Intesa Sanpaolo Assicura S.p.A..

In order to gain a better understanding of the tables, the following is specified:

- the "Estimate of ultimate cumulative claims costs" is the result of the sum, by each accident year N, of the cumulative amounts paid and the residual provision for outstanding claims at the end of the development year N+t. The amounts thus obtained represent the revision over time of the estimate of the ultimate cost of the claims in the accident year N with the evolution of the maturity process thereof;

– the "Cumulative payments to date" represent the cumulative amount of the claims paid made until 31 December 2013 on claims in accident year N;
– the "provision for outstanding claims at the reporting date" represents the amount, for each accident year, of the claims that are still provided for as at 31 December 2013;
– the "other claims provisions" identify the claims provision from accident years prior to 2009.

Injuries	**Accident/year**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of ultimate cumulative claims costs	as at 31/12 of occurrence year N	4,624	5,076	5,171	4,089	4,358	
	as at 31/12 of year N+1	3,822	3,345	4,506	3,098		
	as at 31/12 of year N+2	2,598	2,394	3,817			
	as at 31/12 of year N+3	2,184	2,284				
	as at 31/12 of year N+4	2,020					
Total amount of cumulative payments to date		1,898	1,905	3,188	1,148	341	8,480
Claims reserve in the balance sheet as at 31.12.2013		122	379	629	1,950	4,017	7,097
Final reserve for claims in the years prior to 2009							518
Total claims reserve in the balance sheet as at 31.12.2013							**7,615**

Illnesses	**Accident/year**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of ultimate cumulative claims costs	as at 31/12 of occurrence year N	19,280	18,283	16,663	16,121	18,733	
	as at 31/12 of year N+1	19,026	16,020	16,779	16,505		
	as at 31/12 of year N+2	17,190	14,859	15,208			
	as at 31/12 of year N+3	15,864	13,443				
	as at 31/12 of year N+4	15,128					
Total amount of cumulative payments to date		14,235	12,523	12,638	11,005	5,053	55,454
Claims reserve in the balance sheet as at 31.12.2013		893	920	2,570	5,500	13,680	23,563
Final reserve for claims in the years prior to 2009							2,103
Total claims reserve in the balance sheet as at 31.12.2013							**25,666**

CVT	**Accident/year**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of ultimate cumulative claims costs	as at 31/12 of occurrence year N	2,782	2,916	3,901	3,873	7,646	
	as at 31/12 of year N+1	2,639	2,553	3,626	4,277		
	as at 31/12 of year N+2	2,386	2,500	3,840			
	as at 31/12 of year N+3	2,356	2,648				
	as at 31/12 of year N+4	2,410					
Total amount of cumulative payments to date		2,190	2,403	3,621	3,869	5,775	17,858
Claims reserve in the balance sheet as at 31.12.2013		220	245	219	408	1,871	2,963
Final reserve for claims in the years prior to 2009							685
Total claims reserve in the balance sheet as at 31.12.2013							**3,648**

Fire	**Accident/year**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of ultimate cumulative claims costs	as at 31/12 of occurrence year N	4,571	5,901	2,888	4,137	4,548	
	as at 31/12 of year N+1	4,063	3,527	2,384	3,079		
	as at 31/12 of year N+2	3,048	2,997	2,139			
	as at 31/12 of year N+3	2,929	2,828				
	as at 31/12 of year N+4	2,906					
Total amount of cumulative payments to date		2,669	2,581	1,487	2,505	916	10,158
Claims reserve in the balance sheet as at 31.12.2013		237	247	652	574	3,632	5,342
Final reserve for claims in the years prior to 2009							453
Total claims reserve in the balance sheet as at 31.12.2013							**5,795**

Other damage to assets	**Accident/year**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of ultimate cumulative claims costs	as at 31/12 of occurrence year N	10,723	8,191	2,722	3,242	2,979	
	as at 31/12 of year N+1	8,508	7,188	1,797	1,936		
	as at 31/12 of year N+2	8,159	7,014	1,549			
	as at 31/12 of year N+3	8,096	7,014				
	as at 31/12 of year N+4	8,082					
Total amount of cumulative payments to date		8,039	6,761	1,357	1,589	886	18,632
Claims reserve in the balance sheet as at 31.12.2013		43	253	192	347	2,093	2,928
Final reserve for claims in the years prior to 2009							155
Total claims reserve in the balance sheet as at 31.12.2013							**3,083**

RCA	**Accident/year**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of ultimate cumulative claims costs	as at 31/12 of occurrence year N	4,998	9,552	19,010	34,354	46,001	
	as at 31/12 of year N+1	5,819	10,080	25,699	35,168		
	as at 31/12 of year N+2	5,474	10,397	28,004			
	as at 31/12 of year N+3	4,980	10,425				
	as at 31/12 of year N+4	4,858					
Total amount of cumulative payments to date		4,354	8,984	18,000	17,228	13,164	61,730
Claims reserve in the balance sheet as at 31.12.2013		504	1,441	10,004	17,940	32,837	62,726
Final reserve for claims in the years prior to 2009							281
Total claims reserve in the balance sheet as at 31.12.2013							**63,007**

RCG	**Accident/year**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of ultimate cumulative claims costs	as at 31/12 of occurrence year N	2,925	4,028	2,871	2,702	3,487	
	as at 31/12 of year N+1	2,701	3,039	2,220	3,352		
	as at 31/12 of year N+2	1,683	2,525	1,740			
	as at 31/12 of year N+3	1,361	2,388				
	as at 31/12 of year N+4	1,294					
Total amount of cumulative payments to date		1,109	1,474	1,351	895	465	5,294
Claims reserve in the balance sheet as at 31.12.2013		185	914	389	2,457	3,022	6,967
Final reserve for claims in the years prior to 2009							1,686
Total claims reserve in the balance sheet as at 31.12.2013							**8,653**

Financial losses	**Accident/year**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of ultimate cumulative claims costs	as at 31/12 of occurrence year N	9,643	11,720	15,076	23,225	24,342	
	as at 31/12 of year N+1	13,590	13,709	20,681	23,536		
	as at 31/12 of year N+2	11,963	11,045	16,793			
	as at 31/12 of year N+3	8,309	9,965				
	as at 31/12 of year N+4	7,940					
Total amount of cumulative payments to date		7,690	8,837	11,080	13,514	3,592	44,713
Claims reserve in the balance sheet as at 31.12.2013		250	1,128	5,713	10,022	20,750	37,863
Final reserve for claims in the years prior to 2009							212
Total claims reserve in the balance sheet as at 31.12.2013							**38,075**

FINANCIAL LIABILITIES (CAPTION 4)

Financial liabilities amount to 17,753,921 thousand euro (17,626,859 thousand euro at 31 December 2012). The corresponding details, broken down by classification category and investment type, are shown in the annex to the Notes "Financial liabilities".

Financial liabilities at fair value through profit or loss (caption 4.1)

They amount to 17,100,776 thousand euro (17,424,337 thousand euro at 31 December 2012) and include financial liabilities held for trading and financial liabilities at fair value through profit or loss The breakdown by level is shown in the annex to the Notes *"Financial assets and liabilities by level"*.

(in thousands of euro)

	Level 1	Level 2	Level 3	Total 31.12.2013
Financial liabilities held for trading	-	287,029	-	287,029
Financial liabilities at fair value through income statement	-	16,813,747	-	16,813,747
Total	**-**	**17,100,776**	**-**	**17,100,776**

	Livello 1	Livello 2	Livello 3	31.12.2012
Financial liabilities held for trading	-	312,781	-	312,781
Financial liabilities at fair value through income statement	24,845	17,086,711	-	17,111,556
Total	**24,845**	**17,399,492**	**-**	**17,424,337**

Financial liabilities held for trading

Financial liabilities held for trading as at 31 December 2013 amount to 287,029 thousand euro and are related to the negative value of non-hedging derivatives.

Financial liabilities at fair value through profit or loss

The item includes the financial liabilities associated with investment contracts of the Index and Unit Linked type which do not present a significant insurance risk and therefore do not fall within the scope of application of IFRS 4.

(in thousands of euro)

	31.12.2013	31.12.2012
Liabilities from Index and Unit Linked investment contracts issued by the Company	16,813,747	17,078,739
Hedging derivative instruments	-	32,817
Total	**16,813,747**	**17,111,556**

Since the fair value of the financial liabilities, represented by the deposits of Index and Unit products, is not tied to the creditworthiness of the issuing companies but rather to that of the related assets for hedging purposes, reference is made to the section of the Notes dedicated to the disclosure on risks, for further information on this aspect.

Other financial liabilities (caption 4.2)

The caption includes subordinated liabilities and financial liabilities associated with investment contracts with specific asset products.

The table below details the financial liabilities in question:

(in thousands of euro)

	31.12.2013	31.12.2012
Subordinated liabilities	617,218	202,522
Financial liabilities associated with policies with specific assets	-	-
Other financial liabilities	35,927	-
Deposits received from reinsurers	-	-
Total	**653,145**	**202,522**

Subordinated liabilities

The item comprises financial liabilities pertaining to the Parent, the creditor's repayment of which, in the event of liquidation, is subordinate to the senior debt.

Subordinated liabilities, amounting to 617,218 thousand euro, are broken down as follows:

(in thousands of euro)

Issuer	Interest rate	Concession	Maturity	Carrying amount
Intesa Sanpaolo	12 month Euribor + 35 bps	27/06/05	29/06/15	50,231
Intesa Sanpaolo	For the first 5 years 3-month Euribor + 300 bps	30/12/08	30/12/18	30,006
Intesa Sanpaolo	1 year Euribor + 150 bps	30/06/11	n.a.	3,796
Intesa Sanpaolo	1 year Euribor + 170 bps	30/06/11	n.a.	1,960
Intesa Sanpaolo	For the first 10 years +4.80% - afterwards 3-month Euribor 360 + 140 bps	30/06/11	n.a.	4,900
Intesa Sanpaolo	For the first 10 years +4.86%	30/06/11	n.a.	2,940
Intesa Sanpaolo	For the first 10 years +5.06%	30/06/11	n.a.	2,450
Intesa Sanpaolo	For the first 10 years +5.06%	30/06/11	n.a.	490
Cassa di Risparmio di Firenze	1 year Euribor + 150 bps	20/04/99	n.a.	3,966
Cassa di Risparmio di Firenze	6 month Euribor + 170 bps	17/04/00	n.a.	2,048
Cassa di Risparmio di Firenze	For the first 10 years +4.80% – afterwards 3-month Euribor 360 + 140 bps	15/05/03	n.a.	5,110
Cassa di Risparmio di Firenze	For the first 10 years +4.86% – afterwards 3-month Euribor 360 + 1.70%	22/12/04	n.a.	3,064
Cassa di Risparmio di Firenze	For the first 10 years +5.06% – afterwards 3-month Euribor 360 + +6.80%	26/10/06	n.a.	2,572
Cassa di Risparmio di Firenze	For the first 10 years +5.06% – afterwards 3-month Euribor 360 + +6.80%	26/10/06	n.a.	514
Intesa Sanpaolo Vita S.p.A.	Dated Subordinated Notes due 18 September 2018 5.35%	18/09/13	18/09/18	503,168
Total				**617,218**

The aforesaid loans do not provide for early repayment or provisions allowing the conversion of subordinated liabilities into capital or into another type of liability.

The change in subordinated liabilities is determined by the partial repayment of subordinated loans and by the issue of the non-convertible subordinated bonds ISIN XS0972240997 issued by Intesa Sanpaolo Vita on 18 September 2013. The loan presents the following characteristics:

- value of the issue 500 million euro
- bond nominal unit value: 100,000.00 euro (one hundred thousand and zero cents);
- issue price: 100% (one hundred per cent) of the nominal unit value;
- issue date: 18 September 2013;
- maturity date: 18 September 2018;
- interest: fixed rate equal to 5.35% per year.
- coupon payment frequency: annual;
- repayment at maturity: repayment at maturity of 100% (one hundred per cent) of the nominal value of each bond, provided that (i) at least one year before the maturity date, the parent will notify IVASS of the repayment plan pursuant to article 45, paragraph 3 of Legislative Decree no. 209/2005, thereby specifying the elements of the available margin in lieu of the loan, having regard also to the foreseeable requirements of the necessary solvency margin at the end of the year during which the settlement of the loan is expected to take place, and the methods with which it intends to guarantee the hedging of the technical provisions, including with reference to the foreseeable commitments relating to the year in which the same loan is extinguished, and (ii) IVASS approves the plan within 60 days of its receipt;
- early repayment: early repayment option pertaining solely to the parent and subject to authorisation from the competent Authority, in the so-called Tax or *Regulatory Event cases*;
- subordination: in the event of liquidation of the parent, the loan is subordinated to all the parent's bonds not equally subordinated (including obligations vis-à-vis policyholders) and is antedated to the liabilities destined to be included in the available solvency margin within the limits of 50% of the lesser value between available solvency margin and required margin;
- listing: the bonds are listed on Luxembourg's regulated market;

– intended bondholders: qualified Italian and foreign investors, with the exclusion of any placement with the general public, as well as offers in the Countries where the offer would be subject to specific authorisations;
– rating: assignment of the rating by one or more agencies. The agency appointed to assign the rating to the parent, and hence, to this issue, is Fitch Ratings. *Issuer Default Rating* assigned by Fitch to the Parent BBB+/ *negative outlook*. *Subordinated Debt Rating* assigned to the BBB issue.

PAYABLES (CAPTION 5)

The following table sets out details of the item as at 31 December 2013:

(in thousands of euro)

	31.12.2013	31.12.2012
Payables arising out of direct insurance operations	78,069	66,840
Payables arising out of reinsurance operations	863	829
Other payables	2,354,882	5,319,723
Total	**2,433,814**	**5,387,392**

"Direct insurance liabilities", amounting to 78,069 thousand euro, mainly include commissions payable to distribution networks, as well as items to be settled deriving from co-insurance relations.

"Other payables" include amounts due to third parties against the consolidation of the corresponding mutual fund units, amounting to 2,019,567 thousand euro, as well as trade payables arising from direct and indirect insurance transactions. This item also includes provisions for the Italian *Trattamento di Fine Rapporto* (post-employment benefits).

Post-employment benefits

Post-employment benefit showed the following changes during 2013:

(in thousands of euro)

	Total 31.12.2013	Total 31.12.2012
Net liabilities as at the start of the period	**2,410**	**4,517**
Increases	**734**	**1,804**
– New entities included in the scope of consolidation	-	-
– Recognised current service costs	359	1,524
– Transfers between Group companies	-	53
– Interest expenses	147	
– Other positive changes	228	227
Decreases	**- 491**	**- 3,911**
– Benefits paid	- 162	- 295
– Current service cost	-	- 1,164
– Reductions	-	-
– Other negative changes	- 329	- 363
– Outgoing companies	-	- 2,089
Net liabilities as at the end of the period	**2,653**	**2,410**

OTHER LIABILITIES (CAPTION 6)

Deferred tax liabilities (caption 6.2)

The caption comprises the deferred tax liabilities, as defined and disciplined by IAS 12. The caption recorded an increase during the year, from 410,079 thousand euro to 463,439 thousand euro.

The following table sets out details of the item at 31 December 2013:

(in thousands of euro)

	31.12.2013	31.12.2012
Deferred tax liabilities – amount impact on the income statement	298,528	281,901
Deferred tax liabilities – amount impact on shareholders' equity	164,911	128,178
Total	**463,439**	**410,079**

The table below shows the changes that took place during the period:

(in thousands of euro)

	Impact on the income statement	Impact on shareholders' equity	Total 31.12.2013	Total 31.12.2012
Initial amount	**281,901**	**128,178**	**410,079**	**1,911,652**
Increases	**50,509**	**37,292**	**87,801**	**160,206**
– Deferred tax assets recognised in the period	37,707	34,965	72,672	32,297
– New taxes or tax rate increases	-	-	-	-
– New entities included in the scope of consolidation	-	-	-	-
– Other positive changes	12,802	2,327	15,129	127,909
Decreases	**- 33,882**	**- 559**	**- 34,441**	**- 1,661,779**
– Deferred tax assets cancelled in the period			-	-
– Reversals	- 33,882	-	- 33,882	- 1,526,975
– Tax rate reductions			-	-
– Other negative changes	-	- 559	- 559	- 88,111
– Outgoing companies			-	- 46,693
Final carrying amount	**298,528**	**164,911**	**463,439**	**410,079**

Current tax liabilities (caption 6.3)

The caption, amounting to 333,576 thousand euro, mainly comprises the provision against the amount payable to the Tax authorities for the tax on mathematical provisions (Law no. 265/2002) accrued at 31 December 2013 which will be paid during 2014.

Other liabilities (caption 6.4)

The following table sets out details of the caption:

(in thousands of euro)

	31.12.2013	31.12.2012
Deferred liabilities relating to investment contracts	8,864	17,202
Post employment benefits	211	180
Seniority bonuses	1,475	1,553
Deferred operating expenses	-	-
Other liabilities	29,538	63,630
Total	**40,088**	**82,565**

The caption mainly includes liabilities relating to deferred commission income associated with investment contracts of the Index and Unit Linked type with insurance risk considered as not significant and to the long-term benefits for employees.

Deferred liabilities relating to investment contracts are referred to Index policies for 8,864 thousand euro (17,202 thousand euro at 31 December 2012), and Unit policies for 874 thousand euro (834 thousand euro at 31 December 2012), respectively.

Administration costs and other expenses include the portion of the future expenses reserve set aside against financial contracts in relation to which it was not necessary to defer the loading.

Other liabilities mainly include the provision for maintenance commissions. These liabilities are referred to the provision for charges represented by the maintenance commissions accrued at the reporting date provided that their payment obligation has not been fulfilled yet since their issue is subject to the maintenance of the contracts in the portfolio on the date of occurrence.

TAX POSITION

Intesa Sanpaolo Vita

Following the preliminary assessment report issued by the Guardia di Finanza (Italian financial police) on 12 September 2005, the Tax and Revenue Office of Turin 1, on 22 March 2006, had served a notice of assessment on ex Assicurazioni Internazionali di Previdenza S.p.A. (formerly Noricum Vita S.p.A.), concerning income tax relating to the year 2003.

The Financial Administration had challenged this on the grounds that the income calculation had taken into account costs not based on the accrual principle. These referred to commissions relating to life insurance contracts and fees from technical/administrative consultancies amounting to a total of 807 thousand euro.

The company lodged an appeal against the said payment order before the Provincial Tax Commission of Turin. It is noted that with the judgment filed on 9 February 2007, the aforesaid court annulled the notice of assessment in full.

The Financial Administration appealed before the Regional Tax Commission of Piedmont. It is pointed out that with judgment filed on 12 January 2009, the second instance judges upheld the decision already handed down by the lower court, thereby reconfirming the full annulment of the notice of assessment. With deed served on 4 March 2010, the Tax and Revenue Office lodged an appeal before the Supreme Court.

On 29 April 2010, the Company lodged a counter-appeal with the secretary's office of the Supreme Court. The date of the hearing for the discussion of the dispute has not been scheduled yet.

On 31 January 2007, a partial tax inspection was initiated for the purposes of direct IRPEG – IRES and IRAP tax pertaining to 2003, 2004 and 2005, and for VAT purposes for the years 2003, 2004, 2005 and 2006, which ended with the service of a formal report of findings on 29 March 2007.

The most significant findings raised by the Italian financial police were referred to the alleged existence of service provisions subject to VAT within the scope of co-insurance contracts entered into by the Company acting in the dual capacity of delegating and delegated Company.

The Tax and Revenue Office of Turin, on 19 May 2007, served two notices of assessment for the sole year 2003, containing five separate claims: four for VAT purposes, and one for IRAP purposes, determining a higher VAT amount overall to the tune of 3,700 thousand euro and a higher IRAP amount to the tune of 28.6 thousand euro, thereby sanctioning the company to pay 6,638 thousand euro.

On 26 July 2007, the company challenged the notices of assessment and lodged appeals before the Provincial Tax Commission of Turin. It is noted that with judgments nos. 41 and 42, filed on 10 June 2008, the seized judicial body fully annulled the aforesaid payment orders. In July 2009, the appeals were served, lodged by the Tax and Revenue Office, Office 1 of Turin, before the Regional Tax Commission of Piedmont. The company filed an entry of appearance with deeds and counterclaims on 5 November 2009.

The hearing for the discussion of the appeals took place on 1 February 2010 and, with judgment no. 32 filed on 11 May 2010, the Regional Tax Commission of Piedmont upheld the full annulment of the notices of assessment referred to the year 2003.

During the first six months of 2011, the Tax and Revenue Office lodged an appeal before the Supreme Court, the company filed an entry of appearance before the court with a counter-appeal in September 2011. As at today's date, no date has yet been scheduled for the hearing for the discussion of the dispute.

Still as a result of the aforesaid formal report of findings, on 30 August 2007, the Tax and Revenue Office of Turin 1 served two notices of assessment for 2004 and solely for VAT purposes, thereby determining a higher VAT amount to the tune of 2,700 thousand euro and sanctioning the company to pay 2,300 thousand euro.

On 8 November 2007, the company challenged the notices of assessment and lodged appeals before the Provincial Tax Commission of Turin. It is noted that with the judgments filed on 11 November 2008, the same court annulled the notices of assessment in full. The Tax and Revenue Office, Office 1 of Turin, on 21 December 2009, lodged appeals before the Regional Tax Commission of Piedmont; the Company filed an entry of appearance before the court with deeds and counterclaims on 8 February 2010.

The hearing was scheduled on 11 November 2010, following which the Regional Tax Commission of Piedmont, with judgment no. 45 filed on 17 February 2011, upheld the decision in the first instance on the full annulment of the notices of assessment.

In April 2012, the Tax and Revenue Office lodged an appeal before the Supreme Court, in September 2012 the company lodged a counter-appeal. As at today's date, the date of the hearing for the discussion of the dispute has not been scheduled yet.

On 21 December 2010, and still as a result of the aforesaid formal report of findings prepared by the Italian financial police on 29 March 2007, a notice of assessment was served upon the company which determined, for the 2005 tax period, a higher VAT amount to the tune of 360 thousand euro, a higher IRAP amount to the tune of 20 thousand euro, and sanctions were issued to the tune of 654 thousand euro.

Similarly to the previous years, the aforesaid disputes arise from the afore-mentioned tax inspection conducted by the Italian financial police in 2007 and are referred to the failure to recognise the exemption, for VAT application purposes, of the delegation commissions in co-insurance contracts.

The company challenged the said payment order on 14 February 2011. The hearing before the Provincial Tax Commission of Turin took place on 14 December 2011 and, with judgment no. 9 filed on 25 January 2012, the seized court annulled the notice of assessment in full.

In July 2012, the Tax and Revenue Office lodged an appeal before the Regional Tax Committee of Piedmont and the company, in October 2012, filed counterclaims against the Tax and Revenue Office's appeal. The hearing before the Regional Tax Commission of Piedmont was scheduled on 27 March 2014.

On 7 December 2011, still as a result of the aforesaid formal report of findings prepared by the Italian financial police in March 2007, a notice of assessment was served upon the company which determined, for the 2006 tax period, a higher VAT amount to the tune of 218 thousand euro, and sanctions were issued to the tune of 339 thousand euro.

On 31 January 2012, the company lodged an appeal against the said payment order before the Provincial Tax Commission of Turin. The dispute was discussed on 14 February 2013 and the Provincial Tax Commission of Turin, with judgment no. 38 filed on 18 March 2013, partially rejected the appeal lodged by the company. The decision was unfavourable with regards to the recognition of the VAT exemption for the delegation commissions, whereas it was favourable with regards to the inapplicability of the sanctions. On 9 September 2013, the company lodged an appeal in the second instance before the Regional Tax Committee of Piedmont. The date of the hearing for the discussion of the dispute has not been scheduled yet.

In February 2011, an amendment sheet was served on ex Sud Polo Vita S.p.A. (incorporated on 31 December 2011) relating to alleged irregularities in the determination of the registration duty pertaining to the transfer of a business unit, transaction which was completed in March 2008 and related to the Life business unit. The greater tax under dispute amounts to 345 thousand euro in addition to sanctions of equal amount.

In April 2011, an appeal was lodged before the Provincial Tax Commission of Milan. With judgment of 16 October 2012, the Commission rejected the appeal. On 1 February 2013, the company lodged an appeal before the Regional Commission of Lombardy in order to seek a review of the unfavourable decision of the judges in the first instance.

The hearing took place on 2 October 2013 and, with judgment no. 267 filed on 21 January 2014, the Regional Tax Commission of Lombardy upheld the company's appeal, fully reforming the decision of the judges in the first instance and annulling the Tax and Revenue Office's payment order.

On 14 May 2012, the Tax and Revenue Office, Regional Department of Piedmont, Large Taxpayers' Office, launched a tax inspection relating to the 2009 addressed to ex Sud Polo Vita S.p.A. (incorporated on 31 December 2012). The inspection activity ended on 30 July 2012 with the company being served a formal report of the following findings: disputes for an alleged greater IRES amount deriving from write-downs of securities not considered deductible to the tune of 5,305 thousand euro and greater potential tax to the tune of 1,459 thousand euro, as well as disputes for an alleged greater IRAP taxable amount to the tune of 563 thousand euro and greater potential tax to the tune of 38 thousand euro.

The company expressly stated in the report that, irrespective of the existence of the reported findings, ex Sud Polo Vita S.p.A., for IRES purposes, had previous usable losses of a much higher amount than that resulting from the alleged higher taxable amount under dispute. For this reason, given its ability to deduct the previous losses, no greater tax and, consequently, no sanction would be due. Similarly, for IRAP purposes, the company reported that the finding raised arose as a result of a mere reclassification error between one line of the tax return and the other but, in actual fact, no higher tax amount was due. In order to manage the dispute with the Tax and Revenue Office more efficiently, the company submitted a tax settlement proposal in December 2012. As at today's date, the company is still waiting to be called for the cross-examination procedure.

On 20 June 2012, a notice of assessment was served on the company in its capacity as the entity merging ex Centrovita Assicurazioni S.p.A. (merged on 31 December 2011). The said notice disputed, for 2006, a higher VAT amount to the tune of 312 thousand euro and sanctions to the tune of 313 thousand euro.

On 23 September 2012, the company lodged an appeal before the Provincial Tax Commission of Florence; to date, the hearing for the discussion of the dispute has not been scheduled yet.

On 28 November 2012, a notice of assessment was served on the company, again in its capacity as the entity merging ex Centrovita Assicurazioni S.p.A. (merged on 31 December 2011). The said notice disputed, for 2007, a higher VAT amount to the tune of 278 thousand euro and sanctions to the tune of 349 thousand euro.

On 22 January 2013, the company lodged an appeal before the Provincial Tax Commission of Florence; to date, the hearing for the discussion of the appeal has not been scheduled yet.

On 14 January 2013, two notices of assessment were served on the company, again in its capacity as the entity merging ex Centrovita Assicurazioni S.p.A.. The said notices disputed, for 2008 and 2009, higher VAT amounts to the tune of 273 and 239 thousand euro as well as sanctions to the tune of 342 and 304 thousand euro.

The disputes addressed to ex Centrovita Assicurazioni S.p.A. have a common basis and are referred to the failure to recognise the exemption, for VAT application purposes, of the delegation commissions in co-insurance contracts. As such, these same findings also concerned ex Eurizon Vita with regards to the tax periods between the years 2003 and 2006, already described in the previous paragraphs, disputes which the company considers possible to settle with favourable outcomes given that it has always obtained extremely positive results at every stage of the court proceedings.

Now, therefore, on 5 March 2013, the company lodged appeals for 2008 and 2009 before the Provincial Tax Commission of Florence; as at today's date, the hearings have not been scheduled yet.

The pending tax litigations currently managed by the company, as a result of the merger operation completed on 31 December 2011, through which the former companies Intesa Vita, Sud Polo Vita and Centrovita Assicurazioni merged into Eurizon Vita (that concurrently changed its name to Intesa Sanpaolo Vita), were subject to an increase compared to the amounts stated in the previous years, given that the pending disputes are also referred to the former merged companies, now merged into Intesa Sanpaolo Vita.

On the basis of the current situation of the tax dispute, it is specified that, in economic terms, over ninety per cent of the pending litigations before the tax courts turned out to have entirely favourable outcomes for the company at all stages of the proceedings, therefore we are confident that we will be able to continue with the management of the pending litigations without the emergence of significant tax liabilities.

Intesa Sanpaolo Assicura

Following the end of the inspection conducted by the Tax Police squad of Turin relating to the assessment of the correct determination of direct and indirect tax with reference to 2007 and 2008, as well as, limited to the co-insurance contracts for the years from 2004 to 2008, the competent authority formalised the following findings:

- The correctness of the provisions set aside for the outstanding claims provision pursuant to art. 111 of Presidential Decree no. 917/86;
- The correctness of the tax treatment for VAT purposes of the expenses incurred by way of delegation commissions within the scope of the co-insurance contracts.

With reference to the first finding, it is noted that the Regional Department of Piedmont, on 26 July 2013, annulled by internal review the notices of assessment relating to direct Ires and Irap tax for 2007. In December, the same Department served the notices of assessment for 2008 by disputing a higher taxable amount to the tune of 422 thousand euro. The Company lodged an appeal in February 2014.

With regards to the second finding, on 12 July 2010, the Revenue and Tax Office Turin 1 upheld the company's defence and ruled on the annulment of the proceedings under way for 2004, 2005 and 2006. For the same dispute, on 24 October 2012, the Regional Department of Piedmont – Large Taxpayers' Office issued a notice of assessment for 2007. The Company lodged an appeal against said payment order before the Provincial Tax Commission of Turin. It is noted that with the judgment filed on 24 July 2013, the aforesaid judiciary body annulled the notice of assessment in full. No significant amounts pertaining to other VAT positions were recorded.

Other companies included in the scope of consolidation

The other companies included in the scope of consolidation do not present any tax disputes with the Financial Administration.

Part D – Information on the consolidated income statement

REVENUES

NET EARNEDPREMIUMS (CAPTION 1.1)

The net earned premiums in 2013 amount to 11,363,051 thousand euro, showing an increase with respect to the previous year of 126%. The increase in collection is, indeed, the result of the business activities carried out by the distribution networks, who also made it possible to achieve a particularly appreciated streamlining of the product range. The improved quality of the service in the last two years also, indirectly, improved the perception of quality and efficiency of the companies with potential future effects.

(in thousands of euro)

	31.12.2013			31.12.2012		
	Gross amount	Ceded amount	Net amount	Gross amount	Ceded amount	Net amount
Non-life gross earned premiums	213,010	- 6,604	206,406	171,021	- 5,529	165,492
Gross written premiums	*232,337*	*- 5,559*	*226,778*	*221,947*	*- 4,358*	*217,589*
Change in provisions for unearned premiums	*- 19,327*	*- 1,045*	*- 20,372*	*- 50,926*	*- 1,171*	*- 52,097*
Life gross written premiums	11,157,108	- 463	11,156,645	4,871,209	- 399	4,870,810
Total	**11,370,118**	**- 7,067**	**11,363,051**	**5,042,230**	**- 5,928**	**5,036,302**

FEE AND COMMISSION INCOME (CAPTION 1.2)

Commissions refer to financial contracts which do not have a significant insurance risk and do not include discretionary participation features; these are Index Linked policies and Unit Linked policies of the group.

Fee and commission incomes includes premium loading and, for the Unit Linked policies, the management commissions relevant to contracts with investment in an internal fund. The other fee and commission income includes the management commissions retroceded by the managers to the companies with reference to unit linked products.

The following table shows the details of the fee and commission income for 2013:

(in thousands of euro)

	31.12.2013	31.12.2012
Fee and commission income related to Unit Linked	228,233	221,778
Fee and commission income related to Index Linked	8,378	12,198
Other Fees and commission income	28,896	28,830
Total	**265,507**	**262,806**

NET INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CAPTION 1.3)

The caption is positive for 234,031 thousand euro (1,061,646 thousand euro at 31 December 2012). Information is provided in the annex "Net income from financial assets at fair value through profit or loss".

The smaller net gains in the financial instruments at fair value through profit or loss are determined prevalently by the smaller change of the fair value recognised by the financial markets with respect to the previous year which affected both the class of instruments designated at fair value in the income statement and the investments held for trading.

INCOME FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY (CAPTION 1.5)

This caption amounts to 2,221,417 thousand euro (2,119,311 thousand euro as at 2012). The increase with respect to the previous year is substantially due to the increase of volumes managed on average and the higher disposals with respect to the previous year.

Details of the breakdown are given by the Notes to the financial statements "Financial Income and expense and gains and losses on Investments".

OTHER INCOME (CAPTION 1.6)

This caption amounts to 75,980 thousand euro (119,430 thousand euro as at 2012) consists mainly of 51,920 thousand euro from other technical income mostly relating to the management commissions for unit linked products classed as insurance products, 8,079 thousand euro from exchange differences on investments.

COSTS

NET INSURANCE BENEFITS AND CLAIMS (CAPTION 2.1)

The caption amounts to 12,459,632 thousand euro (6,687,138 thousand euro as at 2012) consisting of the following:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Gross amount	Ceded amount	Net amount	Gross amount	Ceded amount	Net amount
Non-life net insurance benefits and claims	**-105,184**	**5,461**	**-99,723**	**- 87,697**	**1,665**	**-86,032**
Claims payment	-73,506	3,782	-69,724	- 60,269	1,194	-59,075
Change in the provisions for outstanding claims	-32,287	1,679	-30,608	- 27,072	471	-26,601
Change in claims paid to be recovered	614	-	614	403	-	403
Change in other insurance provisions	-5	-	-5	- 759	-	-759
Life net insurance benefits and claims	**-12,359,492**	**- 417**	**-12,359,909**	**- 6,600,948**	**-158**	**-6,601,106**
Claims payment	-6,199,347	647	-6,198,700	- 6,965,322	1,213	-6,964,109
Change in the provisions for outstanding claims	-31,469	- 66	-31,535	62,152	364	62,516
Change in the mathematical provisions	-7,587,053	- 998	-7,588,051	- 2,253,716	-1,735	-2,255,451
Change in the provisions for policies where the investment risks to be borne by the policyholders and provisions for pension fund	1,507,862	-	1,507,862	2,797,657	-	2,797,657
Change in other insurance provisions	- 49,485	-	-49,485	- 241,719	-	-241,719
Total	**-12,464,676**	**5,044**	**-12,459,632**	**- 6,688,645**	**1,507**	**-6,687,138**

The decrease in claims paid in the life segment (-11%) is mostly due to reduced consistency of maturities with respect to the previous year.

FEE AND COMMISSION EXPENSE (CAPTION 2.2)

Fee and commission expenses include the commissions for the acquisition of contracts classified as financial and, for the Unit Linked policies, the management commissions retroceded to placement agents. The following table shows the details of fee and commission expenses for 2013:

(in thousands of euro)

	31.12.2013	31.12.2012
Fee and commission expenses for management, dealing and consultancy services	468	350
Fee and commission expenses related to Unit Linked	132,411	141,049
Fee and commission expenses related to Index Linked	34,077	35,649
Management Fee and commission income on retroceded Unit Linked funds	882	1,015
Other fee and commission expenses	646	2,885
Total	**168,484**	**180,948**

LOSS ON OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY (CAPTION 2.4)

This caption amounts to 229,459 thousand euro (424,665 thousand euro as at 2012).

Details of the breakdown are given by the annex of the Notes to the financial statements "Financial Income and expense and gains and losses on Investments". The item consists mostly of losses equal to 209,008 on investments classed as available-for-sale.

INSURANCE EXPENSES (CAPTION 2.5)

The following table gives the breakdown of the costs in question:

(in thousands of euro)

	31.12.2013	31.12.2012
Gross commissions and other acquistion costs	**324,174**	**252,700**
Acquisition commission	204,862	164,942
Other acquisition costs	42,243	40,285
Change in deferred acquistion costs	1,186	954
Collection commission	75,883	46,519
Commission and share in profits received from reinsurers	**-893**	**-735**
Investments management expenses	**48,372**	**40,876**
Other administration costs	**44,410**	**44,083**
Total	**416,063**	**336,924**

The costs of investment activities consist mostly of costs for financial instruments equal to 17,744 thousand euro and the cost relating to commissions for investment activities and custody expenses equal to 30,628 thousand euro.

The change in other administration expenses is in part due to reduced operating costs and in part to the operating and organisation developments of the Parent.

OTHER COSTS (CAPTION 2.6)

This caption, equal to 316,329 thousand euro (453,370 thousand euro as at 31 December 2012), includes, moreover, the net accruals to the provisions for risks and charges equal to 1,287 thousand euro, depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets for 860 thousand euro, the exchange differences recognised in the income statement for 43,073 thousand euro and other technical costs for 226,399 thousand euro. The latter amount consists mostly of maintenance commission recognised to the sales network.

The caption also includes "Other costs" equal to 45,323 thousand euro (of which 2,499 thousand euro for the non-life business and 42,824 thousand euro for the Life business) relating mostly to third party results of consolidated mutual funds.

INCOME TAXES (CAPTION 3)

This caption represents the consolidated tax expense calculated in compliance with the rules in force in the different Countries where the companies of the Group operate taking into accounts the effects of deferred tax assets and liabilities.

The following table shows the breakdown of this caption:

(in thousands of euro)

	31.12.2013	31.12.2012
Income taxes	235,342	501,096
Change in income taxes of previous years	-	-
Change in deferred tax assets	-15,847	55,573
Change in deferred tax liabilities	3,825	-383,025
Total	**223,320**	**173,644**

The following table shows the reconciliation of the theoretical tax charge and the total income tax expense:

(in thousands of euro)

	31.12.2013	31.12.2012
Profit before taxes	570,019	516,450
Expected income tax expense	195,631	177,246
Expected income tax rate	34.32%	34.32%
Tax impacts relating to:	27,689	-3,602
Effect of foreign tax rate differences	-9,354	-7,606
Additional IRES 2013 (8.5%)	49,114	-
Effect of increase (descrease) with respect to the expected tax rate	-12,115	-
Other	45	4,004
Total income tax expense	**223,320**	**173,644**
Effect tax rate	**39.18%**	**33.33%**

Part E – Other information

FEES OF THE INDEPENDENT AUDITORS

In compliance with art. 149-duodecies of the Issuer Regulation of Consob, as recently amended with resolutions 15915 dated 3 May 2007 and 15960 dated 30 May 2007, the following table gives the fees for 2013 for the auditing services and other services provided by the independent auditors and companies belonging to its network. The amounts are shown in thousands of euro (not including VAT) and do not include costs:

(in thousands of euro)

Type of services	Counterparty who supplied the service	Beneficiary	Comments	Fees
Audit fee	KPMG S.p.A.	Intesa Sanpaolo Vita		799
Attestation service fees	KPMG S.p.A.	Intesa Sanpaolo Vita	(1)	772
Other service fees	KPMG S.p.A.	Intesa Sanpaolo Vita	(3)	-
Audit fee	KPMG S.p.A.	Subsidiaries		749
Attestation service fees	KPMG S.p.A.	Subsidiaries	(2)	78
Other service fees	KPMG S.p.A.	Subsidiaries	(3)	88
Total				**2.486**

(1) Fee for auditing the separate financial statements, the internal funds, the open-ended pension funds and the reporting package for purposes of consolidation in the Parent Company Intesa Sanpaolo
(2) Fees for auditing the reporting package for purposes of consolidation in the Parent Company Intesa Sanpaolo Vita
(3) Fee for carrying out the audit procedures agreed

Part F – Information concerning related parties

The companies of the Group have performed transaction with companies of the Intesa Sanpaolo Group, as part of their ordinary operations, which are summarised below. These transactions were carried out at normal market conditions and on the basis of evaluations of reciprocal economic convenience. The Company did not carry out atypical and/or unusual transactions during the year, either with related parties or third parties.

(in thousands of euro)

	Parent Company	Companies subject to the control of Intesa Sanpaolo
Assets	7,036,465	725,719
Liabilities	274,583	93,067
Guarantees	-	-
Income	344,211	136,120
Costs	229,201	301,159
Total	**7,884,460**	**1,256,065**

The statement of financial position refer mainly to:
- ownership of bonds issued by the parent company Intesa Sanpaolo or its subsidiaries;
- ownership of UCI shares managed by companies of the Intesa Group;
- financial protection contracts for unit linked products;
- receivables and payables relating to personnel secondment or chargeback of cost relating to the use of equipped spaces made available by the group;
- fee and commission expenses made subject of deferment and relating to contracts which do not fall under the scope of application of IFRS 4;
- deposits on current accounts opened with banks of the group;
- security deposits with Intesa Sanpaolo and its subsidiaries;
- liabilities for investment contracts which do not fall under the scope of application of IFRS 4;
- liabilities relating to an insurance capitalisation contract for the partial accumulation of the post-employment benefits of employees of Intesa Sanpaolo;
- amounts due for subordinated liabilities;
- amounts payable for commissions due to the networks of Intesa Sanpaolo accrued by the latter against the placement of products of insurance companies;
- receivables and payables with respect to the ultimate parent Intesa Sanpaolo, in compliance with the tax consolidation, represented by Ires tax liabilities;
- payables to the companies of the Intesa Sanpaolo group where the IT services are concentrated.

The income statement balances refer mainly to:
- net gains on the financial instruments issued by companies of the Group;
- fees that have accrued on the current accounts opened with banks;
- costs and income from existing service contracts involving the reciprocal secondment of personnel or making available equipped spaces;
- other net expenses from liquidations of insurance services to companies of the Group and the change in technical provisions;
- interest expense on subordinated loans;
- the cost represented by commission fees and fee and commission expenses to the network for the placement of insurance or investment contracts;
- management commission recognised to the companies of the Group to whom the management of the securities portfolios is entrusted;
- expenses for IT services supplied by the outsourcer of the Intesa Sanpaolo Group.

NON-RECURRING KEY EVENTS AND TRANSACTIONS

Please see the section "Other information" of the management report for information regarding non-recurring key events and transactions.

Part G – Information on risks

INSURANCE RISKS

LIFE BUSINESS

The typical risks of the life insurance portfolio (managed by Intesa Sanpaolo Vita and Intesa Sanpaolo Life) may be divided into three main categories: premium risks, actuarial and demographic risks and provision risks.

Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities). During the definition of a product, profit testing is used, aimed at measuring profitability and identifying any weaknesses beforehand, by means of specific sensitivity analyses. The issue process for a product involves its prior presentation to the Product Committee in order to take account of and validate its structure and features.

Actuarial and demographic risks arise when an unfavourable trend is recorded in the actual loss ratio compared with the trend estimated when the rate was calculated, and these risks are reflected in the level of "provisions". The loss ratio refers not only to actuarial loss, but also to financial loss (guaranteed interest rate risk). The Company guards against these risks by means of systematic statistical analysis of the evolution of liabilities in its own contract portfolio, divided by risk type, and through simulations of expected profitability of the assets hedging technical provisions.

Provision risk is guarded against through the exact calculation of mathematical provisions, with a series of detailed checks (for example, checking that all the variables required for the calculation such as yields, quotations, technical foundations, parameters for the supplementary reserves, and recalculation of the value of single contracts are correctly saved in the system) as well as overall verifications, by comparing results with the estimates produced on a monthly basis. Specific attention is paid to checking the correct assumption of contracts, by checking the relative portfolio against the reconstruction of movements during the period, divided by purpose, and checking the consistency of the amounts settled compared with the movements of provisions.

The following tables give a presentation of the structure by maturities of the mathematical provisions and the structure for the minimum return guaranteed as at 31 December 2013.

(in thousands of euro)

	Mathematical provisions	%
up to 1 year	2,085,574	3.71%
from 1 to 5 years	2,547,364	4.53%
from 6 to 10 years	3,181,659	5.66%
from 11 to 20 years	938,758	1.67%
over 20	47,460,682	84.43%
Total	**56,214,038**	**100.00%**

(in thousands of euro)

	Total insurance provisions	%
Insurance and investment products with annual return guarantee		
0% -1%	12,997,231	22.60%
from 1% to 3%	35,960,607	62.52%
from 3% to 5%	4,155,486	7.22%
Insurance products	3,100,714	5.39%
Shadow accounting provision	1,306,978	2.27%
Total	**57,521,016**	**100.00%**

The mathematical provisions are calculated on almost the entire portfolio on a contract-by-contract basis, and the methodology used to determine the provisions takes into account all the future commitments of the company.

The following table shows a breakdown by maturity of financial liabilities, represented by assets covering commitments arising under unit- and index-linked policies and subordinated liabilities.

(in thousands of euro)

	With maturity in the 12 months	With maturity beyond the 12 months	Total as at 31.12.2013	Total as at 31.12.2012
Unit linked	-	15,715,161	15,715,161	15,378,840
Index linked	619,100	479,486	1,098,586	1,699,899
Subordinated liabilities	743	616,475	617,218	202,522
Total	**619,843**	**16,811,122**	**17,430,965**	**17,281,261**

NON-LIFE BUSINESS

The typical risks of the non-life insurance portfolio (managed through Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita) mainly relate to unearned premiums reserve risks.

Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).

The technical provision risk is monitored at the time the technical provisions are accurately determined. In particular, for companies who run the non-life business, the technical provisions may be broken down into: premium provisions, claims provisions, provisions for profit sharing and rebates, other technical provisions.

With regard to risk assumption, policies are checked when acquired through an automatic system aimed at detecting the underwriting parameters associated with the applicable tariff. The check is thus not only formal, but also substantive, and in particular allows the identification of exposures in terms of capital and limits of liability, in order to verify that the portfolio matches the technical and tariff scheme agreed upon with the sales network.

Subsequently, statistical checks are carried out to verify potentially anomalous situations (such as concentration by area or by type of risk) and to keep under control accumulation at the level of individual persons (with particular reference to policies that provide cover in the accident and health classes). This is also carried out in order to provide the Reinsurance department with suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.

The following table shows the development of claims by generation as at 31 December 2013. The total of the provision for outstanding claims, for Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita, amounts on the other hand to 162 million.

(in thousands of euro)

Year of generation/occurrence		**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Amount in the reserve:							
Estimate of the last cost of cumulated claims	as at 31/12 of the year of generation N	60,137	66,303	69,086	92,482	116,234	-
	as at 31/12 of year N+1	60,779	60,072	78,391	92,033		-
	as at 31/12 of year N+2	53,122	54,372	74,023			-
	as at 31/12 of year N+3	46,639	51,565				-
	as at 31/12 of year N+4	45,195					-
Total amount of cumulated claims paid		42,658	45,889	53,217	52,244	32,094	226,102
Provisions for outstanding claims as at 31.12.2013		2,537	5,676	20,806	39,789	87,250	156,058
Ultimate provisions for outstanding claims prior to 2009		-	-	-	-	-	6,216
Total provisions for outstanding claims as at 31.12.2013		**-**	**-**	**-**	**-**	**-**	**162,274**

FINANCIAL RISKS

ALM AND FINANCIAL RISKS

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening *risk governance* and managing and controlling *risk-based capital*.

With reference to investment portfolios, set up both as coverage of obligations with the policyholder and in relation to unrestricted capital, the Investment framework resolution is the control and monitoring instrument for market and credit risks. The Resolution defines the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and *asset allocation*, breakdown by rating classes and credit risk, concentration risk by issuer and sector, market risks (in turn measured in terms of sensitivity to variations in risk factors and *Value at Risk*).

Investment decisions, portfolio evolution and compliance with operating limits, articulated in diverse types, are discussed, normally on a monthly basis, by specific Investment committees. Setting the risk profile for the insurance company and the associated levels of economic capital, monitoring the risk profile on the basis of reporting by the responsible services, as well as identifying any corrective strategies are discussed during Risk Committee meetings, usually on a quarterly basis.

In order to measure and manage all the underwriting and financial risks together, a simulation tool is used with the objective of measuring the intrinsic value, the fair value of the liabilities and the economic capital. The system is based on a dynamic *Asset Liability Management* (ALM) model that forecasts stochastically-generated economic scenarios, simulating the evolution of the value of assets and liabilities based on the technical features of the products, the trend in significant financial variables and a management rule which guides investments and disinvestments. This model measures the capital required to cover actuarial and financial risk factors. Among the former, the FAP models risks deriving from the dynamics of an extreme surrendering of policies, from sharp changes in mortality and longevity, and from pressure on costs; among the latter, the FAP takes into consideration stress scenarios over year-long time spans on interest rates, on credit spread and on stock market trends. By means of the ALM system, the process makes it possible to calculate the *sensitivity* of liabilities with respect to the movements of market risk factors in order to effectively manage the financial assets covering technical provisions.

Any gaps between projected outflows and cash at hand are evaluated on a monthly basis in order to monitor liquidity risk arising from the difficulty of meeting outlay requirements not sufficiently covered by the redemption of investments. The asset and liability maturity profile is evaluated on a monthly basis, seeking to keep the indicators of the average financial duration of these two components in a fixed range of compatibility, so as to ensure that assets are managed consistently with the maturity profile of the corresponding liabilities while also reflecting tactical views and market expectations.

INVESTMENT PORTFOLIOS

As at 31 December 2013, the investment portfolios relating to financial assets, recorded at carrying amount, amounted to 97,638 million euro. Of these, the part regarding traditional revaluable life policies, the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on segregated assets are determined, non-life policies and unrestricted capital amounted to 59,756 million euro. The other component, whose risk is borne solely by the policyholders, mainly consists of investments related to Index-Linked policies, Unit-Linked policies and pension funds and amounted to 37,881 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the financial assets used to cover traditional revaluable life policies, non-life policies and unrestricted capital.

SEGREGATED FUNDS, NON-LIFE POLICIES AND UNRESTRICTED CAPITAL

In terms of breakdown by asset class, net of positions in derivative financial instruments (-325 million euro at carrying amount) detailed below, 93.54% of the assets (56,202 million euro) consisted of bonds, whereas assets subject to equity price risk represented 1.46% of the total and amounted to 875 million euro. The remainder (5.00%, 3,005 million euro) consisted of investments relating to UCI, private equity and hedge funds.

Investments relating to the unrestricted capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to 2,326 million euro (market values, net of current account balances) and had a risk level in terms of Value at Risk (99% confidence level, 10-day holding period) of approximately 90 million euro.

INTEREST RATE RISK EXPOSURE

The breakdown by maturity of bonds showed 4.99% short-term (under 1 year), 30.96% medium-term and 57.59% long-term (over five years).

(in thousands of euro)

	Book value	%	Duration
Fixed rate bonds	**48,271,072**	**84.75%**	**5.67**
within 1 year	2,436,022	4.28%	
from 1 to 5 years	14,930,125	26.21%	
over 5 years	30,904,925	54.26%	
Floating rate/indexed bonds	**4,965,157**	**8.72%**	**2.16**
within 1 year	408,654	0.72%	
from 1 to 5 years	2,866,632	5.03%	
over 5 years	1,689,871	2.97%	
SubTotal	**53,236,229**	**93.47%**	
Equity securities	**775,604**	**1.36%**	
UCI, Private Equity, Hedge Fund	**2,942,834**	**5.17%**	
Total	**56,954,667**	**100.00%**	

The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5.3 years. The provisions relating to the revaluable policies segregated funds have an average modified duration of 5.7 years. The related portfolios of assets have a modified duration of around 4.8 years.

The *sensitivity* of the fair value of the portfolio of financial assets to interest rate movements is summarised in the table below which highlights both exposure of the securities portfolio and the effect of positions represented by hedging derivatives which reduce its sensitivity. For example, a parallel shift in the yield curve of +100 basis points leads to a negative fair value change in the bond portfolios of 2,772 million euro.

In this scenario, the value of hedging derivatives increases by about 3 million euro which partly offsets the loss registered by bonds.

(in thousands of euro)

	Book value	%	Change of fair value following variation of interest rates	
			+100 bps	-100 bps
Fixed rate bonds	48,271,072	90.67%	-2,517,055	2,622,992
Floating rate/indexed bonds	4,965,157	9.33%	-100,573	96,883
SubTotal	**53,236,229**	**100.00%**	**-2,617,628**	**2,719,875**
Coverage effect on interest rate risk	0			
Total	**53,236,229**		**-2,617,628**	**2,719,875**

On 19 December 2013, the Board of Directors authorised the termination of the hedging accounting relationship implemented through IRS Morgan Stanley 4.921% 13/06/2037 for a total notional amount of 539.3 million euro.

CREDIT RISK EXPOSURE

The table below sets forth the distribution of the bond portfolio by rating class: AAA/AA bonds represented 5.64% of total investments and single A bonds represented 3.86%. Low investment grade securities (BBB) were 81.81% of the total, while the portion of speculative grade or unrated was minimal (2.24%).

BREAKDOWN OF FINANCIAL ASSETS BY RATING OF THE ISSUER

(in thousands of euro)

	Book value	%
Bonds	**53,236,229**	**93.47%**
AAA	1,823,918	3.20%
AA	979,656	1.72%
A	2,183,691	3.83%
BBB	47,007,160	82.53%
Speculative grade	1,072,240	1.88%
No rating	169,564	0.30%
Equity securities	**775,604**	**1.36%**
UCI, Private Equity, Hedge Fund	**2,942,834**	**5.17%**
Total	**56,954,667**	**100.00%**

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by governments, central banks and other public entities made up 80.20% of the total investments, whereas the securities of *corporate* issuers contributed around 19.20%.

The *sensitivity* values of the *fair value* of the bonds with respect to a variation in the creditworthiness of the issuers, namely a market credit spread shock of ±100 basis points, as at end of 2013, are shown in the table below.

(in thousands of euro)

	Book value	%	Change of fair value following variation of credit spreads	
			+100 bps	**-100 bps**
Bonds of government issuers	42,576,038	79.98%	-2,317,038	2,427,375
Bonds of corporate issuers	10,660,191	20.02%	-401,655	380,486
SubTotal	**53,236,229**	**100.00%**	**-2,718,693**	**2,807,861**
Hedging effect of credit risk	-		-	-
Total	**53,236,229**		**-2,718,693**	**2,807,861**

EQUITY RISK EXPOSURE

The *sensitivity* of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to 88 million euro, as shown in the table below.

(in thousands of euro)

	Book value	%	Change of fair value following variations in equity values
			-10%
Equity of Financial Institutions	229,498	29.59%	-22,950
Equity of non financial institutions and other entities	546,106	70.41%	-54,611
Effect of equity hedging	-	0.00%	-
Total	**775,604**	**100.00%**	**-77,560**

CURRENCY RISK EXPOSURE

The investment portfolio is not appreciably exposed to currency risk: approximately 98% of investments are made up of assets denominated in euro. Against the residual exposure to currency risks, positions in derivative financial instruments, above all Domestic Currency Swap, in the same currency, were reversed.

FINANCIAL DERIVATIVE INSTRUMENTS

Financial derivative instruments are used to hedge the financial risks of the investment portfolio or for effective management.

Liquidity risk associated with positions in financial derivative instruments is primarily attributable to *plain-vanilla* derivatives (chiefly interest rate swaps, constant-maturity swaps and credit default swaps) traded on OTC markets with significant liquidity characteristics and sizes. These instruments are thus also liquid and easily liquidated both with the counterparty with which they were traded and with other market operators.

The following table shows the carrying amount of the derivative financial instruments as at 31 December 2013 (derivatives with negative fair value are included).

(in thousands of euro)

	Book value					
	Interest rates		Equities, indexes and foreign exchange rates		Total	
	Listed	Not listed	Listed	Not listed	Listed	Not listed
Hedging Derivatives	-		-	-	-	0
Derivatives of effective management	-	-268,565	-	-40,687	-	-309,252
Total	**-**	**-268,565**	**-**	**-40,687**	**-**	**-309,252**

The losses shown for the hedging derivatives are partly offset, due to the nature of the instruments, by the gains on the positions hedged.

FINANCIAL ASSETS AGAINST UNIT- AND INDEX-LINKED POLICIES

The financial assets at fair value include the assets used to hedge commitments assumed for the issue of Unit and Index Linked type policies whose investment risks are borne by the policyholders; the variability of the fair value of the financial liabilities for contracts mirrors that of the assets used to hedge the same.

The following table shows the carrying amounts for the Index Linked policy portfolio classified by rating of the issuer/guarantor or issuer:

(in thousands of euro)

	Intesa Sanpaolo Vita		Intesa Sanpaolo Life		Total	
	Market value	%	Market value	%	Market value	%
Aaa/AAA/AAA		0.00%	-	0.00%	-	0.00%
Aa1/AA+/AA+		0.00%	-	0.00%	-	0.00%
Aa2/AA/AA		0.00%	-	0.00%	-	0.00%
Aa3/AA-/AA-		0.00%	-	0.00%	-	0.00%
A1/A+/A+		0.00%	-	0.00%	-	0.00%
A2/A/A	344,355	20.77%	-	0.00%	344,355	12.90%
A3/A-/A-	142,775	8.61%	-	0.00%	142,775	5.35%
Baa1/BBB+/BBB+		0.00%	-	0.00%	-	0.00%
Baa2/BBB/BBB	1,171,182	70.62%	1,011,700	100.00%	2,182,882	81.75%
Baa3/BBB-/BBB-		0.00%	-	0.00%	-	0.00%
Ba1/BB+/BB+		0.00%	-	0.00%	-	0.00%
Ba2/BB/BB		0.00%	-	0.00%	-	0.00%
Ba3/BB-/BB-		0.00%	-	0.00%	-	0.00%
B1/B+/B+		0.00%	-	0.00%	-	0.00%
B2/B/B		0.00%	-	0.00%	-	0.00%
B3/B-/B-		0.00%	-	0.00%	-	0.00%
Not rated		0.00%	-	0.00%	-	0.00%
Total	**1,658,312**	**100.00%**	**1,011,700**	**100.00%**	**2,670,012**	**100.00%**
of which guaranteed					-	0.00%

In the case of investments for Unit Linked type policies however, the market values of the underlying mutual funds as at 31 December 2013 amount to 23,918 million.

The classification of the same values for risk profiles shows a concentration of the investments in funds with guarantee, that represent 19.69% of the total value and in medium and medium-high risk funds (approximately 59.30%).

(in thousands of euro)

	Intesa Sanpaolo Vita			**Intesa Sanpaolo Life**			**Total**		
	No. of funds	**Market value of funds**	**%**	**No. of funds**	**Market value of funds**	**%**	**No. of funds**	**Market value of funds**	**%**
Low	28	544,827	10.70%	6	127,408	1.13%	34	672,235	4.10%
Medium Low	6	168,874	3.32%	33	994,491	8.78%	39	1,163,365	7.09%
Medium	33	3,674,186	72.13%	38	5,844,622	51.61%	71	9,518,808	57.98%
Medium High	20	578,313	11.35%	18	1,574,156	13.90%	38	2,152,469	13.11%
High	20	105,542	2.07%	54	1,064,100	9.40%	74	1,169,642	7.13%
Very High	2	21,817	0.43%	2	77,833	0.69%	4	99,650	0.61%
Protected			0.00%	8	1,638,915	14.48%	8	1,638,915	9.98%
Guaranteed			0.00%	-	-	0.00%	-	-	0.00%
Not defined			0.00%	-	-	0.00%	-	-	0.00%
Total	**109**	**5,093,559**	**100.00%**	**159**	**11,321,524**	**99.99%**	**268**	**16,415,083**	**100.00%**

The following table gives the breakdown of internal funds according to the classification for ANIA classes.

(in thousands of euro)

	Intesa Sanpaolo Vita			**Intesa Sanpaolo Life**			**Total**		
	No. of Funds	**Market value of funds**	**%**	**No. of Funds**	**Market value of funds**	**%**	**No. of Funds**	**Market value of funds**	**%**
Total equity	**27**	**520,175**	**10.21%**	**43**	**594,554**	**5.25%**	**70**	**1,114,729**	**6.79%**
of which Italy equity	1	18,219	0.36%	7	52,081	0.46%	8	70,300	0.43%
of which Europe equity	8	99,211	1.95%	6	128,697	1.14%	14	227,908	1.39%
of which North America equity	3	61,848	1.21%	6	145,112	1.28%	9	206,959	1.26%
of which Pacific equity	3	21,139	0.42%	6	46,968	0.41%	9	68,107	0.41%
of which global equity	11	277,898	5.46%	11	132,083	1.17%	22	409,981	2.50%
of which specialised equity	1	41,861	0.82%	7	89,612	0.79%	8	131,474	0.80%
Total Balanced	**23**	**1,164,701**	**22.87%**	**17**	**556,426**	**4.91%**	**40**	**1,721,127**	**10.49%**
of which balanced-equity	2	4,282	0.08%	7	102,218	0.90%	9	106,500	0.65%
of which balanced	14	275,748	5.41%	7	439,622	3.88%	21	715,370	4.36%
of which balanced-bonds	7	884,671	17.37%	3	14,586	0.13%	10	899,258	5.48%
Total bonds	**33**	**2,069,091**	**40.62%**	**51**	**5,490,082**	**48.49%**	**84**	**7,559,173**	**46.05%**
of which short-term pure euro government bonds			0.00%	1	22,523	0.20%	1	22,523	0.14%
of which medium/long-term pure euro government bonds	9	167,640	3.29%	6	299,307	2.65%	15	466,947	2.84%
of which pure corporate euro bonds	1	118,092	2.32%	1	194,123	1.71%	2	312,215	1.90%
of which short-term pure international government bonds			0.00%		-	0.00%	-	-	0.00%
of which medium/long-term pure international government bonds	1	28,551	0.56%	15	85,528	0.76%	16	114,079	0.69%
of which pure international corporate bonds			0.00%	3	170,206	1.50%	3	170,206	1.04%
of which mixed euro area bonds	7	52,286	1.03%	3	180	0.00%	10	52,465	0.32%
of which mixed international bonds	15	1,702,521	33.42%	22	4,718,216	41.67%	37	6,420,738	39.11%
Total Liquidity	**3**	**135,295**	**2.66%**	**7**	**401,014**	**3.54%**	**10**	**536,309**	**3.27%**
of which euro area liquidity	2	133,370	2.62%	6	397,067	3.51%	8	530,437	3.23%
of which other currency liquidity	1	1,925	0.04%	1	3,947	0.03%	2	5,872	0.04%
Total flexibles	**15**	**626,732**	**12.30%**	**33**	**2,640,533**	**23.32%**	**48**	**3,267,265**	**19.90%**
Total protected	**8**	**577,566**	**11.34%**	**8**	**1,638,915**	**14.49%**	**16**	**2,216,481**	**13.50%**
Total guaranteed			**0.00%**	**-**	**-**	**0.00%**	**-**	**-**	**0.00%**
Total	**109**	**5,093,560**	**100.00%**	**159**	**11,321,524**	**100.00%**	**268**	**16,415,084**	**100.00%**

OPERATIONAL RISKS

QUALITATIVE INFORMATION

The second Basel Accord (Basel II) defines Operational Risk as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual, out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.

Following approval of the Bank of Italy, Intesa Sanpaolo Group introduced an internal Model (AMA, *Advanced Measurement Approach*). The control of the operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.

The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the Group's overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Group has a centralised function within the Risk Management Department for the management of the Group's operational risks. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational *framework*, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management. In compliance with current banking requirements, the individual Organisational Units have been assigned the responsibility of identifying, assessing, managing and mitigating risks: the functions responsible for the Operational Risk Management processes for the relevant Unit have been appointed within the same.

The process is entrusted to decentralised units to which specific activities for the management of operational risks have been assigned. These activities are carried out with the support of the competent structures of Intesa Sanpaolo Group, in particular the Operational Risk Management Service.

The activities consist essentially of gathering and carrying out a structured survey of information relating to operational events, and in implementing the Self-Diagnosis process.

The Self-Diagnosis process consists of two stages:
- Evaluation of the Operational Context (EOC), which is the qualitative analysis of the current exposure to Operational risks, carried out by evaluating the Risk Factors in terms of "importance" and "control", in order to identify areas of vulnerability and any mitigation measures to resolve the same, thus promoting "proactive" risk management (Risk Ownership).
- Scenario Analysis (SA) whose scope is to identify the operational risks in a forward-looking perspective, measuring exposure in terms of frequency, average impact, worst case. The Consistency Analysis is used to verify any discrepancies between historical and future loss data.

The Self-Diagnosis process has helped to increase a company culture which aims at continuously controlling operational risks.

Intesa Sanpaolo Group implements a traditional policy of operational risk transfer (insurance) with the aim of mitigating the impact of any unexpected losses, thus helping to reduce the risk capital.

Operational risks are monitored by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.

In order to support the operational risk management process on a continuous basis, a structured training programme was defined for employees actively involved in the process of managing and mitigating operational risk.

In particular, Intesa Sanpaolo Vita S.p.A. follows the directives of the bank Ultimate Parent on Operational Risks and at the same time continues the activity of verifying the adequacy of the full process in accordance with specific, and not only regulatory, developments for Insurance Companies, both at an international level (ORX Insurance Sector Database consortium) and at a European (Solvency II) and national (IVASS and CROFI) level.

The undersigned hereby declares that this statement is true and complies with accounting records.

Legal Representatives of the Company (*)

Chairman – Salvatore Maccarone...(**)

Auditors

Massimo Broccio - Chairman..

Paolo Mazzi...

Riccardo Ranalli...

(*) For foreign companies, the signature of the general representative for Italy is required.
(**) Specify the position held by signatory representative.

Attachments to the Notes to the Consolidated Financial Statements

BALANCE SHEET BY BUSINESS AREA

(Amounts in euro)

		Non-life segment		Life segment		Consolidation adjustements		Total	
		Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012
1	**INTANGIBLE ASSETS**	**27,820,000**	**27,814,000**	**631,974,000**	**631,889,000**	**-27,809,000**	**-27,809,000**	**631,985,000**	**631,894,000**
2	**TANGIBLE ASSETS**	**108,000**	**135,000**	**776,000**	**523,000**	**0**	**0**	**884,000**	**658,000**
3	**AMOUNT CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**11,546,000**	**9,679,000**	**2,588,000**	**3,651,000**	**0**	**0**	**14,134,000**	**13,330,000**
4	**INVESTMENTS**	**520,950,000**	**424,052,000**	**78,479,960,000**	**72,509,680,000**	**-83,863,000**	**-70,662,000**	**78,917,047,000**	**72,863,070,000**
4.1	Land and buildings (investment properties)	0	0	19,579,000	19,744,000	0	0	19,579,000	19,744,000
4.2	Investments in subsidiaries, associates and joint ventures	0	0	83,863,000	83,862,000	-83,863,000	-70,662,000	0	13,200,000
4.3	Investments Held to maturity	0	0	0	0	0	0	0	0
4.4	Loans and receivables	0	0	78,138,000	89,550,000	0	0	78,138,000	89,550,000
4.5	Financial assets available for sale	508,825,000	417,866,000	54,140,503,000	43,254,047,000	0	0	54,649,328,000	43,671,913,000
4.6	Financial assets at fair value through profit and loss	12,125,000	6,186,000	24,157,877,000	29,062,477,000	0	0	24,170,002,000	29,068,663,000
5	RECEIVABLES	29,831,000	22,662,000	559,036,000	126,201,000	-432,000	-1,295,000	588,435,000	147,568,000
6	OTHER ASSETS	25,375,000	18,007,000	1,469,646,000	1,229,729,000	-351,000	-1,350,000	1,494,670,000	1,246,386,000
6.1	Deferred acquisition costs	331,000	891,000	0	0	0	0	331,000	891,000
6.2	Other assets	25,044,000	17,116,000	1,469,646,000	1,229,729,000	-351,000	-1,350,000	1,494,339,000	1,245,495,000
7	**CASH AND CASH EQUIVALENTS**	**83,323,000**	**115,450,000**	**2,034,372,000**	**4,586,949,000**	**0**	**0**	**2,117,695,000**	**4,702,399,000**
TOTAL ASSETS		**698,953,000**	**617,799,000**	**83,178,352,000**	**79,088,622,000**	**-112,455,000**	**-101,116,000**	**83,764,850,000**	**79,605,305,000**
1	**SHAREHOLDERS' EQUITY**							**4,329,327,000**	**4,577,916,000**
2	**OTHER PROVISIONS**	**1,008,000**	**559,000**	**7,307,000**	**14,906,000**	**0**	**0**	**8,315,000**	**15,465,000**
3	**INSURANCE PROVISIONS**	**474,900,000**	**419,155,000**	**57,927,470,000**	**50,717,742,000**	**0**	**0**	**58,402,370,000**	**51,136,897,000**
4	**FINANCIAL LIABILITIES**	**1,004,000**	**1,005,000**	**17,752,917,000**	**17,625,854,000**	**0**	**0**	**17,753,921,000**	**17,626,859,000**
4.1	Financial liabilities at fair value through profit and loss	0	0	17,100,776,000	17,424,337,000	0	0	17,100,776,000	17,424,337,000
4.2	Other financial liabilities	1,004,000	1,005,000	652,141,000	201,517,000	0	0	653,145,000	202,522,000
5	**PAYABLES**	**22,451,000**	**38,258,000**	**2,411,870,000**	**5,350,438,000**	**-507,000**	**-1,304,000**	**2,433,814,000**	**5,387,392,000**
6	**OTHER LIABILITIES**	**17,746,000**	**11,245,000**	**819,633,000**	**850,638,000**	**-276,000**	**-1,107,000**	**837,103,000**	**860,776,000**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES								**83,764,850,000**	**79,605,305,000**

INCOME STATEMENT BY BUSINESS AREA

(Amounts in euro)

		Non-life segment		Life segment		Consolidation adjustements		Total	
		Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012
1.1	Net earned premiums	206,406,000	165,492,000	11,156,645,000	4,870,810,000	0	0	11,363,051,000	5,036,302,000
1.1.1	Gross earned premiums	213,010,000	171,021,000	11,157,108,000	4,871,209,000	0	0	11,370,118,000	5,042,230,000
1.1.2	Earned premiums ceded	-6,604,000	-5,529,000	-463,000	-399,000	0	0	-7,067,000	-5,928,000
1.2	Commission income	0	0	265,507,000	262,806,000	0	0	265,507,000	262,806,000
1.3	Gains (losses) on financial instruments at fair value through profit and loss	690,000	978,000	233,341,000	1,060,668,000	0	0	234,031,000	1,061,646,000
1.4	Income from investments in subsidiaries, associates and joint ventures	0	0	0	0	0	0	0	0
1.5	Income from other financial instruments and lands and buildings	20,470,000	22,884,000	2,200,947,000	2,096,427,000	0	0	2,221,417,000	2,119,311,000
1.6	Other income	14,579,000	7,818,000	63,495,000	114,201,000	-2,094,000	-2,589,000	75,980,000	119,430,000
1	**TOTAL INCOME**	**242,145,000**	**197,172,000**	**13,919,935,000**	**8,404,912,000**	**-2,094,000**	**-2,589,000**	**14,159,986,000**	**8,599,495,000**
2.1	Net insurance benefits and claims	-102,024,000	-86,032,000	-12,357,608,000	-6,601,106,000	0	0	-12,459,632,000	-6,687,138,000
2.1.2	Claims paid and change in insurance provisions	-107,485,000	-87,697,000	-12,357,191,000	-6,600,948,000	0	0	-12,464,676,000	-6,688,645,000
2.1.3	Reinsurers' share	5,461,000	1,665,000	-417,000	-158,000	0	0	5,044,000	1,507,000
2.2	Fee and commission expense	0	0	-168,484,000	-180,948,000	0	0	-168,484,000	-180,948,000
2.3	Expenses from investments in subsidiaries, associates and joint ventures	0	0	0	0	0	0	0	0
2.4	Expenses from other financial instruments and lands and buildings	-949,000	-965,000	-228,510,000	-423,700,000	0	0	-229,459,000	-424,665,000
2.5	Operating expenses	-84,513,000	-95,315,000	-334,203,000	-244,798,000	2,653,000	3,189,000	-416,063,000	-336,924,000
2.6	Other expenses	-26,697,000	-15,521,000	-289,073,000	-437,017,000	-559,000	-832,000	-316,329,000	-453,370,000
2	**TOTAL EXPENSES**	**-214,183,000**	**-197,833,000**	**-13,377,878,000**	**-7,887,569,000**	**2,094,000**	**2,357,000**	**-13,589,967,000**	**-8,083,045,000**
	PROFIT (LOSS) BEFORE TAXES FOR THE PERIOD	**27,962,000**	**-661,000**	**542,057,000**	**517,343,000**	**0**	**-232,000**	**570,019,000**	**516,450,000**

CONSOLIDATION AREA

Company	Country	Method (1)	Activity (2)	Shareholding Direct %	% Total stake (3)	% Available voting rights at ordinary shareholders' meeting (4)	% of consolidation
INTESA SANPAOLO VITA S.p.A.	086	G	1	0.00%	0.00%	0.00%	100.00%
INTESA SANPAOLO LIFE LTD	040	G	2	100.00%	100.00%	0.00%	100.00%
EURIZONVITA BEIJING BUSINNESS ADVISORY CO	016	G	11	100.00%	100.00%	0.00%	100.00%
INTESA SANPAOLO ASSICURA S.p.A.	086	G	1	100.00%	100.00%	0.00%	100.00%
INTESA SANPAOLO SMART CARE S.r.l.	086	G	11	100.00%	100.00%	0.00%	100.00%
ARTEN SICAV	092	G	11	0.00%	100.00%	0.00%	100.00%
CARAVAGGIO SICAV	092	G	11	0.00%	100.00%	0.00%	100.00%
CIMABUE SICAV	092	G	11	0.00%	100.00%	0.00%	100.00%
CLOVERIE PLC	040	G	11	100.00%	100.00%	0.00%	100.00%
DALI CAPITAL PLC	040	G	11	100.00%	100.00%	0.00%	100.00%
EPSILON FUND - Q - FLEXIBLE	092	G	11	0.00%	54.17%	0.00%	100.00%
EURIZON EASYFUND BOND EUR LONG TERM LTE	092	G	11	22.68%	61.97%	0.00%	100.00%
EURIZON EASYFUND BOND EUR MEDIUM TERM LTE	092	G	11	24.34%	61.19%	0.00%	100.00%
EURIZON EASYFUND BOND EUR SHORT TERM LTE	092	G	11	28.99%	66.61%	0.00%	100.00%
EURIZON EASYFUND BOND GBP LTE	092	G	11	42.98%	85.55%	0.00%	100.00%
EURIZON EASYFUND BOND JPY LTE	092	G	11	35.31%	88.91%	0.00%	100.00%
EURIZON EASYFUND BOND USD LTE	092	G	11	30.30%	77.30%	0.00%	100.00%
EURIZON EASYFUND EQUITY EASTERN EUROPE	092	G	11	53.30%	86.42%	0.00%	100.00%
EURIZON EASYFUND EQUITY EMERGING MKTS LTE	092	G	11	20.69%	100.00%	0.00%	100.00%
EURIZON INVESTMENT SICAV	092	G	11	40.99%	100.00%	0.00%	100.00%
EURIZON MULTI ALPHA	086	G	11	62.65%	62.65%	0.00%	100.00%
HAYEZ SICAV	092	G	11	0.00%	100.00%	0.00%	100.00%
LEVANNA SICAV	092	G	11	0.00%	100.00%	0.00%	100.00%
MERCURIO SICAV	092	G	11	0.00%	86.85%	0.00%	100.00%
SP LUX SICAV II	092	G	11	0.00%	89.95%	0.00%	100.00%
TIEPOLO SICAV	092	G	11	0.00%	100.00%	0.00%	100.00%

(1) Consolidation method: Global integration =G, Proportional integration =P, Global integration for unitary management=U

(2) 1 = Italian insurer; 2 = EU insurer; 3 = non-EU insurer; 4 = insurance holding company; 5 = EU reinsurer; 6 = non-EU reinsurer; 7 = banks; 8 = funds management company; 9 = miscellaneous holding company; 10 = real estate company 11 = other

(3) It is the product of the investment relationships relative to all companies which, in being part of the chain of investments, may be positioned between the company preparing the consolidated financial statements and the company in which the investment is held. Should the latter be directly held by two or more subsidiary companies, the interests of such subsidiaries must be summed.

(4) Total percentage of votes at the ordinary shareholders' meeting, if different from the percentage directly or indirectly held.

BREAKDOWN OF PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(Amounts in euro)

	At cost	Redetermination or at fair value	Total (book value)
Land and buildings (investment properties)	19,579,000		19,579,000
Land and buildings (self used)	0		0
Other tangible assets	884,000		884,000
Other intangible assets	329,000		329,000

BREAKDOWN OF TECHNICAL INSURANCE PROVISIONS REASSURED WITH THIRD PARTIES

(Amounts in euro)

	Direct business		Indirect business		Total (book value)	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Non-life insurance provisions	**11,546,000**	**9,679,000**	**0**	**0**	**11,546,000**	**9,679,000**
Provision for unearned premium	4,278,000	4,560,000	0	0	4,278,000	4,560,000
Provisions for outstanding claims	7,268,000	5,119,000	0	0	7,268,000	5,119,000
Other insurance provisions	0	0	0	0	0	0
Life insurance provisions	**2,588,000**	**3,651,000**	**0**	**0**	**2,588,000**	**3,651,000**
Provisions for outstanding claims	1,647,000	1,713,000	0	0	1,647,000	1,713,000
Mathematical provisions	941,000	1,938,000	0	0	941,000	1,938,000
Provisions for policies where the investment risks is borne by the policyholders and provisions for pension fund	0	0	0	0	0	0
Other insurance provisions	0	0	0	0	0	0
Total amount ceded to reinsurers from insurance provisions	**14,134,000**	**13,330,000**	**0**	**0**	**14,134,000**	**13,330,000**

BREAKDOWN OF FINANCIAL ASSETS

(Amounts in euro)

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit and loss				Total Book value	
							Financial assets held for trading		Financial assets designated at fair value through profit and loss			
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Equity securities and derivatives measured at cost	0	0	0	0	51,000	51,000	0	0	0	0	51,000	51,000
Equity securities at fair value	0	0	0	0	763,578,000	501,747,000	0	0	158,451,000	393,305,000	922,029,000	895,052,000
of which listed securities	0	0	0	0	618,368,000	368,310,000	0	0	158,451,000	393,305,000	776,819,000	761,615,000
Debt securities	0	0	0	0	51,962,764,000	42,055,983,000	442,070,000	942,312,000	13,104,555,000	19,367,231,000	65,509,389,000	62,365,526,000
of which listed securities	0	0	0	0	51,702,266,000	41,738,209,000	436,576,000	923,719,000	12,993,644,000	19,112,151,000	65,132,486,000	61,774,079,000
UCI shares	0	0	0	0	1,922,935,000	1,114,132,000	397,651,000	152,970,000	9,248,413,000	6,262,399,000	11,568,999,000	7,529,501,000
Loans and receivables from banking customers	0	0	2,008,000	0	0	0	0	0	0	0	2,008,000	0
Interbank loans and receivables	0	0	73,403,000	88,675,000	0	0	0	0	0	0	73,403,000	88,675,000
Deposits under reinsurence business	0	0	91,000	91,000	0	0	0	0	0	0	91,000	91,000
Financial asset components of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	2,636,000	784,000	0	0	0	0	0	0	2,636,000	784,000
Non-hedging derivatives	0	0	0	0	0	0	219,459,000	194,895,000	0	0	219,459,000	194,895,000
Hedging derivatives	0	0	0	0	0	0	0	0	188,000	10,073,000	188,000	10,073,000
Other financial investments	0	0	0	0	0	0	0	0	599,215,000	1,745,478,000	599,215,000	1,745,478,000
Total	**0**	**0**	**78,138,000**	**89,550,000**	**54,649,328,000**	**43,671,913,000**	**1,059,180,000**	**1,290,177,000**	**23,110,822,000**	**27,778,486,000**	**78,897,468,000**	**72,830,126,000**

BREAKDOWN OF ASSETS AND LIABILITIES RELATED TO CONTRACTS ISSUED BY INSURERS IF THE INVESTMENT RISK IS BORNE BY THE CUSTOMERS AND DERIVING FROM PENSION FUND MANAGEMENT

(Amounts in euro)

	Policies where the investment risk is borne by policyholders		Policies related tom pension funds		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Assets in the balance sheet	14,776,303,000	15,293,143,000	433,318,000	478,168,000	15,209,621,000	15,771,311,000
Intercompany assets (*)	4,703,791,000	9,597,017,000	0	192,648,000	4,703,791,000	9,789,665,000
Total Assets	**19,480,094,000**	**24,890,160,000**	**433,318,000**	**670,816,000**	**19,913,412,000**	**25,560,976,000**
Financial liabilities in the balance sheet	16,813,747,000	17,078,739,000	0	0	16,813,747,000	17,078,739,000
Insurance provisions in the balance sheet	2,662,449,000	4,125,461,000	433,318,000	478,168,000	3,095,767,000	4,603,629,000
Intercompany liabilities (*)	0	0	0	0	0	0
Total Liabilities	**19,476,196,000**	**21,204,200,000**	**433,318,000**	**478,168,000**	**19,909,514,000**	**21,682,368,000**

(*) Assets and liabilities adjusted in the consolidation process

BREAKDOWN OF TECHNICAL INSURANCE PROVISIONS

(Amounts in euro)

	Direct business		Indirect business		Total (book value)	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Non-life insurance provisions	**474,900,000**	**419,155,000**	**0**	**0**	**474,900,000**	**419,155,000**
Provision for unearned premium	311,925,000	288,214,000	0	0	311,925,000	288,214,000
Provisions for outstanding claims	162,274,000	127,705,000	0	0	162,274,000	127,705,000
Other insurance provisions	701,000	3,236,000	0	0	701,000	3,236,000
– of which reserves posted following liability adeguacy test	*0*	*0*	*0*	*0*	*0*	*0*
Life insurance provisions	**57,927,470,000**	**50,717,742,000**	**0**	**0**	**57,927,470,000**	**50,717,742,000**
Provisions for outstanding claims	281,936,000	261,302,000	0	0	281,936,000	261,302,000
Mathematical provisions	53,118,271,000	45,577,391,000	0	0	53,118,271,000	45,577,391,000
Provisions for policies where the investment risks is borne by the policyholders and provisions for pension fund	3,095,767,000	4,603,629,000	0	0	3,095,767,000	4,603,629,000
Other insurance provisions	1,431,496,000	275,420,000	0	0	1,431,496,000	275,420,000
– of which reserves posted following liability adeguacy test	*0*	*0*	*0*	*0*	*0*	*0*
– of which deferred liabilities due to policyholders	*1,306,978,000*	*136,274,000*	*0*	*0*	*1,306,978,000*	*136,274,000*
Total insurance provisions	**58,402,370,000**	**51,136,897,000**	**0**	**0**	**58,402,370,000**	**51,136,897,000**

BREAKDOWN OF TECHNICAL INSURANCE ITEMS

(Amounts in euro)

		FY 2013			FY 2012	
	Gross amount	Ceded amount	Net Amount	Gross amount	Ceded amount	Net Amount
Non-life segment						
NET EARNED PREMIUMS	**213,010,000**	**-6,604,000**	**206,406,000**	**171,021,000**	**-5,529,000**	**165,492,000**
a Gross written premiums	232,337,000	-5,559,000	226,778,000	221,947,000	-4,358,000	217,589,000
b Change in the provision for unearned premiums	-19,327,000	-1,045,000	-20,372,000	-50,926,000	-1,171,000	-52,097,000
NET INSURANCE BENEFITS AND CLAIMS	**-107,485,000**	**5,461,000**	**-102,024,000**	**-87,697,000**	**1,665,000**	**-86,032,000**
a Claims paid	-73,506,000	3,782,000	-69,724,000	-60,269,000	1,194,000	-59,075,000
b Change in the provisions for outstanding claims	-34,588,000	1,679,000	-32,909,000	-27,072,000	471,000	-26,601,000
c Change in claims to be recovered	614,000	0	614,000	403,000	0	403,000
d Changes in other insurance provisions	-5,000	0	-5,000	-759,000	0	-759,000
Life segment						
NET EARNED PREMIUMS	**11,157,108,000**	**-463,000**	**11,156,645,000**	**4,871,209,000**	**-399,000**	**4,870,810,000**
NET INSURANCE BENEFITS AND CLAIMS	**-12,357,191,000**	**-417,000**	**-12,357,608,000**	**-6,600,948,000**	**-158,000**	**-6,601,106,000**
a Claims paid	-6,199,347,000	647,000	-6,198,700,000	-6,965,322,000	1,213,000	-6,964,109,000
b Change in the provisions for outstanding claims	-29,263,000	-66,000	-29,329,000	62,152,000	364,000	62,516,000
c Change in mathematical provisions	-7,586,958,000	-998,000	-7,587,956,000	-2,253,716,000	-1,735,000	-2,255,451,000
d Change in the povisions for policies where the investment risks is borne by the policyholders and provisions for pension fund	1,507,862,000	0	1,507,862,000	2,797,657,000	0	2,797,657,000
e Changes in other insurance provisions	-49,485,000	0	-49,485,000	-241,719,000	0	-241,719,000

FINANCIAL AND INVESTMENT INCOME AND EXPENSES

(Amounts in euro)

	Interests	Other income	Other expenses	Gain on disposal	Losses on disposal	Total realised income and expenses	Unrealized gains		Unrealized losses		Total unrealised gains and losses	Total income and expenses FY 2013	Total income and expenses FY 2012
							Unrealized gains	Reversal of impairment losses	Unrealized losses	Impairment losses			
Result of investments	**2,057,931,000**	**82,538,000**	**-373,518,000**	**1,139,620,000**	**-431,431,000**	**2,475,140,000**	**1,347,076,000**	**0**	**-1,070,361,000**	**-7,705,000**	**269,010,000**	**2,744,150,000**	**4,026,225,000**
a From land and buildings (investment properties)	0	1,565,000	33,000	0	0	1,598,000	0	0	0	-165,000	-165,000	1,433,000	1,163,000
b From investments in subsidiaries, associates and joint ventures	0	0	0	0	0	0	0	0	0	0	0	0	0
c From investments held to maturity	0	0	0	0	0	0	0	0	0	0	0	0	0
d From loans and receivables	3,478,000	0	0	822,000	-1,349,000	2,951,000	0	0	0	0	0	2,951,000	4,737,000
e From available for sale financial assets	1,696,944,000	50,359,000	-8,000	356,050,000	-207,659,000	1,895,686,000	0	0	0	-7,540,000	-7,540,000	1,888,146,000	1,592,193,000
f From financial assets held for trading	9,048,000	0	-6,259,000	160,161,000	-69,077,000	93,873,000	371,048,000	0	-284,324,000	0	86,724,000	180,597,000	325,189,000
g From financial assets designated at fair value through profit and loss	348,461,000	30,614,000	-367,284,000	622,587,000	-153,346,000	481,032,000	976,028,000	0	-786,037,000	0	189,991,000	671,023,000	2,102,943,000
Result of receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Result of cash and cash equivalents	**112,199,000**	**0**	**0**	**0**	**0**	**112,199,000**	**0**	**0**	**0**	**0**	**0**	**112,199,000**	**103,914,000**
Result of financial liabilities	**-61,208,000**	**0**	**0**	**414,722,000**	**-410,049,000**	**-56,535,000**	**85,261,000**	**0**	**-659,086,000**	**0**	**-573,825,000**	**-630,360,000**	**-1,373,847,000**
a From financial liabilities held for trading	-48,437,000	0	0	414,722,000	-410,049,000	-43,764,000	85,261,000	0	-29,169,000	0	56,092,000	12,328,000	-86,569,000
b From financial liabilities designated at fair value through income statement	0	0	0	0	0	0	0	0	-629,917,000	0	-629,917,000	-629,917,000	-1,279,917,000
c From other financial liabilities	-12,771,000	0	0	0	0	-12,771,000	0	0	0	0	0	-12,771,000	-7,361,000
Result of payables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**2,108,922,000**	**82,538,000**	**-373,518,000**	**1,554,342,000**	**-841,480,000**	**2,530,804,000**	**1,432,337,000**	**0**	**-1,729,447,000**	**-7,705,000**	**-304,815,000**	**2,225,989,000**	**2,756,292,000**

BREAKDOWN OF INSURANCE EXPENSE MANAGEMENT

(Amounts in euro)

	Non-life segment		Life segment	
	FY 2013	FY 2012	FY 2013	FY 2012
Gross commissions and other acquisition costs	-64,666,000	-77,921,000	-259,508,000	-174,779,000
a Acquisition commissions	-50,274,000	-56,436,000	-154,588,000	-108,506,000
b Other acquisition expenses	-11,195,000	-14,391,000	-31,048,000	-25,894,000
c Change in deferred acquisition costs	-1,186,000	-954,000	0	0
d Collection commissions	-2,011,000	-6,140,000	-73,872,000	-40,379,000
Commissions and profit sharing from reinsurers	796,000	709,000	97,000	26,000
Investment management expenses	-431,000	-438,000	-47,941,000	-40,438,000
Other administrative expenses	-20.212.000	-17,665,000	-26,851,000	-29,607,000
Total	**-84,513,000**	**-95,315,000**	**-334,203,000**	**-244,798,000**

BREAKDOWN OF CONSOLIDATED OTHER COMPREHENSIVE INCOME STATEMENT

(Amounts in euro)

	Allocations		Reclassification adjustments to Income statement		Other changes		Total changes		Taxes		Balance	
	Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012	Total FY 2013	Total FY 2012
Other comprehensive income after taxes without reclassification in the income statement	-222,000	-165,000	-	-	-	-	-222,000	-165,000	-	-	-387,000	-165,000
Change in shareholders' equity of subsidiaries							-	-				
Changes in the revaluation reserve of intangible assets							-	-				
Changes in the revaluation reserve of tangible assets							-	-				
Gains (losses) of non-current assets held for sale and discontinued operations							-	-				
Actuarial gains (losses) arising from defined benefit plans	-222,000	-165,000					-222,000	-165,000			-387,000	-165,000
Other items							-	-				
Other comprehensive income after taxes with reclassification in the income statement	-	1,028,535,000	47,548,000	146,912,000	20,819,000	-	68,367,000	1,175,447,000	-	-	321,045,000	252,678,000
Foreign currency translation differences		-3,000			-5,000		-5,000	-3,000			-3,000	2,000
Net unrealized gains (losses) on available for sale financial assets		1,028,538,000	47,548,000	146,912,000	20,824,000		68,372,000	1,175,450,000			321,048,000	252,676,000
Net unrealized gains (losses) on cash flow hedging derivatives	-	-					-	-				
Net unrealized gains (losses) on hedge of a net investment in foreign operation							-	-				
Change in shareholders' equity of subsidiaries							-	-				
Gains (losses) of non-current assets held for sale and discontinued operations							-	-				
Other items							-	-				
TOTAL OF OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**-222,000**	**1,028,370,000**	**47,548,000**	**146,912,000**	**20,819,000**	**-**	**68,145,000**	**1,175,282,000**	**-**	**-**	**320,658,000**	**252,513,000**

ASSETS AND LIABILITIES AT FAIR VALUE ON A RECURRING AND NON-RECURRING BASIS: BREAKDOWN BY FAIR VALUE LEVELS

(Amounts in euro)

		Level 1		Level 2		Level 3		Total	
		FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Assets and liabilities at fair value on a recurring basis									
Financial assets available for sale		52,082,017,000	39,978,256,000	2,155,455,000	3,236,360,000	411,856,000	457,297,000	54,649,328,000	43,671,913,000
Financial assets at fair value through profit and loss	Financial assets held for trading	608,154,000	384,988,000	444,495,000	884,069,000	6,531,000	21,120,000	1,059,180,000	1,290,177,000
	Financial assets designated at fair value through profit and loss	18,750,123,000	20,074,499,000	4,020,514,000	6,026,366,000	340,185,000	1,677,621,000	23,110,822,000	27,778,486,000
Land and buildings (investment properties)								0	0
Tangible assets								0	0
Intangible assets								0	0
Total assets at fair value on a recurring basis		**71,440,294,000**	**60,437,743,000**	**6,620,464,000**	**10,146,795,000**	**758,572,000**	**2,156,038,000**	**78,819,330,000**	**72,740,576,000**
Financial liabilities at fair value through peofit and loss	Financial liabilities held for trading	0	0	287,029,000	312,781,000	0	0	287,029,000	312,781,000
	Financial liabilities designate at fair value through profit and loss	0	24,845,000	16,813,747,000	17,086,711,000	0	0	16,813,747,000	17,111,556,000
Total liabilities at fair value on a recurring basis		**0**	**24,845,000**	**17,100,776,000**	**17,399,492,000**	**0**	**0**	**17,100,776,000**	**17,424,337,000**
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets held for sale and discontinued operations								0	0
Liabilities of non-current assets held for sale and discontinued operations								0	0

BREAKDOWN OF FINANCIAL LIABILITIES

(Amounts in euro)

	Financial liabilities at fair value through profit and loss				Other financial liabilities		Total Book value	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit and loss					
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Financial equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	617,218,000	202,522,000	617,218,000	202,522,000
Liabilities related to investment contracts from:	0	0	16,813,747,000	17,078,739,000	0	0	16,813,747,000	17,078,739,000
policies where the investment risk is borne by the policyholders	*0*	*0*	*16,813,747,000*	*17,078,739,000*	*0*	*0*	*16,813,747,000*	*17,078,739,000*
pension funds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
other contracts	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Deposits under reinsurence business	0	0	0	0	0	0	0	0
Financial liability components of insurance contracts	0	0	0	0	0	0	0	0
Issued debt securities	0	0	0	0	0	0	0	0
Payables to banking customers	0	0	0	0	0	0	0	0
Interbank payables	0	0	0	0	0	0	0	0
Other financing and loans payable	0	0	0	0	0	0	0	0
Non-hedging derivatives	287,029,000	312,781,000	0	0	0	0	287,029,000	312,781,000
Hedging derivatives	0	0	0	32,817,000	0	0	0	32,817,000
Other financial liabilities	0	0	0	0	35,927,000	0	35,927,000	0
Total	**287,029,000**	**312,781,000**	**16,813,747,000**	**17,111,556,000**	**653,145,000**	**202,522,000**	**17,753,921,000**	**17,626,859,000**

BREAKDOWN OF CHANGES TO ASSETS AND LIABILITIES OF LEVEL 3, AT FAIR VALUE ON A RECURRING BASIS

(Amounts in euro)

	Financial assets available for sale	Financial assets at fair value through profit and loss		Land and buildings (investment properties)	Tangible assets	Intangible assets	Financial liabilities at fair value through profit and loss	
		Financial assets held for trading	Financial assets designated at fair value through profit and loss				Financial liabilities held for trading	Financial liabilities designated at fair value through profit and loss
Initial amount	457,297,000	21,120,000	1,677,621,000	0	0	0	0	0
Purchases/Issues	78,303,000	0	10,000,000				0	0
Sales/Repurchases	-201,500,000	-2,609,000	-26,156,000				0	0
Refunds	-2,605,000	0	0				0	0
Profit (loss) in income statement	-1,007,000	2,003,000	11,882,000				0	0
– of which unrealized gains/losses								
Profit (loss) in other components of comprehensive income statement	17,121,000	0	0				0	
Transfers to level 3	0	0	0				0	
Transfers to other levels	0	0	0				0	
Other changes	64,247,000	-13,983,000	-1,333,162,000				0	
Final amount	411,856,000	6,531,000	340,185,000	0	0	0	0	0

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE: BREAKDOWN BY FAIR VALUE LEVELS

(Amounts in euro)

	Book value		Fair value							
			Level 1		Level 2		Level 3		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Assets										
Financial assets held to maturity	-	-	-	-	-	-	-	-	-	-
Loans and receivables	78,138,000	89,550,000	-	-	-	-	80,718,000	91,878,000	80,718,000	91,878,000
Investments in subsidiaries, associates and joint ventures	-	13,200,000	-	-	-	-	-	13,200,000	-	13,200,000
Land and buildings (investment properties)	19,579,000	19,744,000	-	-	-	-	21,650,000	22,924,000	21,650,000	22,924,000
Tangible assets	884,000	658,000	-	-	-	-	884,000	658,000	884,000	658,000
Total Assets	**98,601,000**	**123,152,000**	**-**	**-**	**-**	**-**	**103,252,000**	**128,660,000**	**103,252,000**	**128,660,000**
Liabilities										
Other financial liabilities	653,145,000	202,522,000	-	-	503,168,000	-	149,977,000	-	653,145,000	-

The undersigned hereby declares that this statement is true and complies with accounting records.

The Company's legal representatives (*)

The Chairman – Salvatore Maccarone..(**)

The Statutory Auditors

Massimo Broccio - Chairman..

Paolo Mazzi..

Riccardo Ranalli...

(*) For foreign companies, the signature of the general representative for Italy is required.
(**) Specify the position held by signatory representative.

Board of Statutory Auditors' Report

INTESA SANPAOLO VITA S.p.A.

Sede in Torino, Corso Giulio Cesare n. 268
Capitale Sociale 320.322.508,00 euro i.v.
Iscritta presso il Registro delle Imprese di Torino, n. 02505650370

Società soggetta all'attività di direzione e coordinamento di Intesa Sanpaolo S.p.A.

RELAZIONE DEL COLLEGIO SINDACALE SUL BILANCIO CONSOLIDATO CHIUSO AL 31/12/2013

Il bilancio consolidato al 31 dicembre 2013 è costituito dallo stato patrimoniale, dal conto economico, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario e dalla nota integrativa, ed espone un utile consolidato di 346,7 milioni di euro, interamente di pertinenza del gruppo, e un patrimonio complessivo di 4.329,3 milioni di euro.

Esso risulta redatto in conformità ai principi contabili internazionali e secondo gli schemi e le istruzioni previsti dall'ISVAP con il regolamento n. 7 del 13.07. 2007 e successive modifiche ed integrazioni.

Esso include oltre al bilancio della controllante Intesa Sanpaolo Vita, quello delle società controllate Intesa Sanpaolo Life, Intesa Sanpaolo Assicura, EurizonVita (Beijing) Business Advisory, Intesa Sanpaolo Smart Care.

* * * * *

Il Collegio Sindacale ha preso atto mediante l'informativa acquisita in sede consiliare ai sensi dell'art. 2381 comma 5 C.C. da parte degli Organi delegati nonché per il tramite delle funzioni aziendali di tutte le operazioni di particolare rilevanza condotte nell'esercizio.

Si da atto dell'adeguata illustrazione nella Relazione sulla gestione al Bilancio consolidato dell'andamento della gestione del Gruppo in particolare con riferimento agli aspetti di rilievo caratterizzanti le principali grandezze patrimoniali e finanziarie e la loro evoluzione nell'esercizio.

Il Collegio sindacale da atto che la nota integrativa riporta le indicazioni richieste dalle norme e contiene tra l'altro l'informativa sulle operazioni con parti correlate e sulla gestione dei rischi. Con particolare riferimento a questi ultimi all'interno della Nota integrativa sono evidenziati in particolare la natura e l'entità dei rischi finanziari cui il Gruppo è esposto nonché i rischi legati ai portafogli d'investimento. Il Collegio rileva a tal fine che gli stessi sono oggetto di periodico controllo e monitoraggio in considerazione di quanto disciplinato dalla Delibera Quadro sugli Investimenti.

* * *

Sulla base delle informative dirette e delle informazioni assunte diamo atto di quanto segue:

- Il Collegio non ha riscontrato, nell'ambito della propria attività, elementi di criticità in relazione all'assetto organizzativo della Capogruppo confermando l'adeguatezza anche con riferimento ai flussi informativi provenienti dalle società rientranti nel perimetro di consolidamento e con riferimento alle operazioni di consolidamento stesse.
- I bilanci presi a base del processo di consolidamento integrale sono quelli riferiti al 31 dicembre 2013 come approvati dai competenti organi delle società controllate, eventualmente rettificati ove necessario per adeguarli ai principi contabili omogenei della Capogruppo.
- Il bilancio consolidato consta di quattro società controllate direttamente. Sono altresì inclusi nell'area di consolidamento i veicoli, le Sicav e i fondi comuni d'investimento mobiliari nei quali sono investiti i fondi interni dei prodotti *unit linked,* qualora la compagnia detenga la maggioranza delle quote in circolazione.
- Il consolidamento è stato attuato con il metodo di integrazione globale per le controllate.
- Il perimetro, i criteri di valutazione e i principi di consolidamento adottati, esaurientemente illustrati dagli Amministratori nella nota integrativa, sono conformi alle prescrizioni di legge e sono stati

applicati correttamente.

- La nota integrativa e la relazione sulla gestione contengono tutte le informazioni richieste dalla legge e sono congruenti con i dati del bilancio.
- Il Collegio ha preso visione della relazione resa dalla Società di Revisione e a tale riguardo osserva che essa non reca rilievi o richiami d'informativa.

Con riferimento ai compiti di Comitato per il controllo interno – ai sensi del D. Lgs. 39/2010 – ed in particolare per quanto relativo alla revisione legale dei conti consolidati il Collegio Sindacale ha preso atto, sulla scorta di quanto relazionato dalla Società di revisione, dell'assenza di situazioni di incertezza o eventuali limitazioni nelle verifiche.

Diamo atto che tutta l'informativa inerente il bilancio consolidato al 31 dicembre 2013 viene presentata agli Azionisti unitamente a quella inerente il bilancio di esercizio a tale data.

Torino lì, 14 marzo 2014

Il Collegio sindacale

Massimo Broccio:

Paolo Mazzi:

Riccardo Ranalli:

Independent Auditors' Report

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010 and article 102 of Legislative decree no. 209 of 7 September 2005

To the shareholders of
Intesa Sanpaolo Vita S.p.A.

1 We have audited the first set of consolidated financial statements of the Intesa Sanpaolo Vita Group as at and for the year ended 31 December 2013, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 90 of Legislative decree no. 209/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The first set of consolidated financial statements present the prior year corresponding figures for comparative purposes. Such data were examined by us to the degree that we considered to be necessary in order to express an opinion on the consolidated financial statements of the Intesa Sanpaolo Vita Group at 31 December 2013.

3 In our opinion, the first set of consolidated financial statements of the Intesa Sanpaolo Vita Group as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 90 of Legislative decree no. 209/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Intesa Sanpaolo Vita Group as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

4 The directors of Intesa Sanpaolo Vita S.p.A. are responsible for the preparation of a management report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the management report with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the management report is consistent with the first set of consolidated financial statements of the Intesa Sanpaolo Vita Group as at and for the year ended 31 December 2013.

Milan, 14 March 2014

KPMG S.p.A.

(signed on the original)

Maurizio Guzzi
Director of Audit

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GALLERIE D’ITALIA.
THREE MUSEUMS, ONE CULTURAL NETWORK FOR ITALY.

Intesa Sanpaolo’s Gallerie d’Italia project enables the bank to share its artistic and architectural heritage with the wider public. With 1,000 artworks on display in historic palazzos in three cities, its museum network is truly one of a kind.

The **Gallerie di Piazza Scala**, Milano: this prestigious architectural complex houses a selection of two hundred 19th-century masterpieces by painters from Lombardy, as well as an exhibition charting the leading figures and tendencies in Italian art from the latter half of the twentieth century.
The **Gallerie di Palazzo Leoni Montanari**, Vicenza: home to the most important collection of Russian icons in the West and examples of 18th-century painting from Veneto.
The **Gallerie di Palazzo Zevallos Stigliano**, Napoli: the galleries host the *Martyrdom of Saint Ursula*, one of Caravaggio’s very last paintings, in addition to southern Italian landscapes dating from the 17th to the early 20th centuries.

On the cover

Alberto Burri
(Città di Castello 1915 – Nice 1995)
Red Black, 1953
oil, paint, canvas and ground pumice stone on canvas,
98.8 x 85.2 cm
Intesa Sanpaolo Collection
Gallerie d’Italia-Piazza Scala, Milano

Alberto Burri is one of Italy’s most important post-Second World War artists. After graduating with a degree in medicine in 1940, he joined the army as a medical officer but was taken prisoner by the British in Tunisia in 1943. The following year he was transferred by the Americans to a prison camp in Texas, where he began experimenting with art. On his return to Italy, he gave up medicine to dedicate himself exclusively to painting.

The lack of faith in art and the languages of art after the War moved Burri, like his contemporaries, to seek out new means of expressing the creative angst which radiates from his work, making it the focus of his personal vision of the individual.

Red Black marks a significant hiatus in the “Art Informel” period of the early 1950s, the elegance of its forms contrasting sharply with the *brutality* of the materials. In this piece, it is as though Burri wanted to return to traditional techniques and evocative gestures as opposed to direct compositions. The painting enhances the continuity of the artist’s language, as reflected in the close ties between colour and matter which transcend the complexity and variety of the media.

The choice of this work highlights the value of identity, the power of design and the courage to innovate.