GRUPPO SAI FONDIARIA

PRESS RELEASE

FONDIARIA-SAI S.p.A.: FINAL RESULTS FOR THE YEAR 2011 APPROVED

RESULTS SIGNIFICANTLY IMPACTED BY EXTRAORDINARY ITEMS NOT RELATING TO CURRENT INDUSTRIAL OPERATIONS - WHICH CONTINUE TO RECOVER

CAPITAL INCREASE OF EURO 1,100 MILLION CONFIRMED, PRO-FORMA ADJUSTED SOLVENCY MARGIN POST-CAPITAL INCREASE AT 31.12.2011 OF 125% AND BASED ON PRICES AT MARCH 8, 2012 WOULD BE 136.5%

- ***CONSOLIDATED FINANCIAL STATEMENTS (IFRS)***
  - **Consolidated result: loss of Euro 1,034.6 million (loss of Euro 928.9 million in 2010), after:**
    - **Revaluation of prior year Motor TPL reserves for Euro 810 million**
    - **Impairments on AFS financial instruments of Euro 373 million, on property and real estate projects for Euro 284 million and on goodwill of subsidiary companies for Euro 101 million**
  - **Group result: loss of Euro 852.7 million (loss of Euro 717.6 million in 2010)**

  - **Motor TPL Class: strong current management performance; average premium +8.1%, claims reported – 15.2%, frequency -0.8%**

- ***PARENT COMPANY FINANCIAL STATEMENTS (Italian GAAP)***
  - **Result for the year: loss of Euro 1,020.4 million (loss of Euro 636.4 million in 2010), after:**
    - **Revaluation of prior year Motor TPL reserves for Euro 476 million**
    - **Net write downs on financial instruments of Euro 1,031 million**
    - **Property impairments of Euro 51 million**

	2011	2010
Combined Con. Operating Ratio	109.5%	106.7%
Combined Cons. Ratio	112.1%	109.4%
Con. Reserve Ratio	178.6%	165.0%

Milan, March 15, 2012. Under the chairmanship of Jonella Ligresti, the Fondiaria-SAI S.p.A. Board of Directors met today and reviewed and approved the financial statements for 2011.

In consideration of the request for information – received yesterday evening - from Consob to disclose in the Notes to the 2011 Annual Accounts specific and detailed notes and information on some important account items (Motor TPL claims reserve, portfolio value of AFS, goodwill, property and shadow accounting), the Board of Directors considered it appropriate only to approve the final financial statement figures for the year 2011. Therefore the approval of the Annual Accounts was postponed to another meeting, currently scheduled for March 26, 2012, in order that all detailed information contained in the draft Notes to the financial statements – prepared internally by the Company for today's Board meeting – corresponds in full to the information requested by the Supervisory Authority.

Firstly it is highlighted that the 2011 results extend the strong operational and management performance - particularly in terms of the claims to premiums ratio and frequency - with the result impacted by extraordinary items principally relating to the revaluation of the prior year claims reserves and impairments on investments.

Consolidated Financial Statements

The **Consolidated net loss** in 2011 was Euro 1,034.6 million compared to a loss of Euro 928.9 million in the previous year.

As previously reported in the press release of December 23, the following contributed to the loss:

- the significant revaluation of the residual load of the Motor TPL claims reserves (Euro 810.4 million), together with the stringent reserve policy of current generation claims in order to establish a cost which will offset any future deterioration in claims costs;
- the weakened financial markets, in particular in the second half of the year; leading to impairments on AFS financial instruments of Euro 373.0 million, of which Euro 207.2 million concerning the equities sector (including Unicredit for Euro 57.0 million, Generali for Euro 48.2 million and Premafin for Euro 31.6 million) and Euro 156.3 million concerning the bond segment (these latter entirely relate to Greek bonds);
- the significant write-down on property of Euro 342 million, including depreciation of Euro 76 million. In addition over Euro 18 million was written down in equity investments held in the real estate sector;
- the need to recognise impairments on goodwill of the subsidiary company Popolare Vita, with recognition of a write-down of approx. Euro 101 million;
- the continued poor performance of the diversified sector companies.

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The key events in 2011 which contributed to this result are summarised below.

The **direct and indirect business gross premiums** totalled Euro 10,814 million, a decrease of 16.5% compared to the previous year. The direct premiums written – comprising almost the total portfolio, amounted to Euro 10,808 million, of which Euro 7,055 million were in the Non-Life Division (-2.0%) and Euro 3,753 million in the Life Division, a decrease of 34.7%, particularly due to the reduced contribution of the bancassurance channel, in line with the market.

In the **Motor TPL Class**, with slight premium growth (+0.2%) and the **average premium** increasing by 8.1% and despite the continued stringent portfolio selection policy, a particularly poor performance of contracts issued in previous years is reported, principally in some areas of the Centre-South where a significant increase in physical injury claims have been reported and where opportunistic – if not fraudulent - behaviour is affecting all Group companies.
Claims reported decreased significantly (-15.2%) while the frequency reduced by 0.8%; the direct business technical balance deteriorated from Euro 493.7 million in 2010 to Euro 742.8 million in 2011.

The **Combined Ratio** for 2011 was 112.1% compared to 109.4% in the previous year. The Loss Ratio was 87.2% compared to 84.4% in the previous year.
From a purely industrial viewpoint, the Combined Operating Ratio increased from 106.7% to 109.5%, with the Expense Ratio unchanged on 2010.

The **Reserve Ratio** which considers the total amount of gross reserves to gross premiums grew considerably to 178.6% from 165.0% at the end of 2010.

At 31/12/2011, the volume of **investments** amounted to Euro 33,789 million, compared to Euro 36,014 million in the previous year, decreasing 6.2% - principally due to the poor financial market performances.

The **Consolidated Solvency Margin** therefore amounted to 78.2% (97.4% at the end of 2010).
The positive impact on the constituting items of Isvap Regulation No. 37 amounted to Euro 518.9 million, corresponding to an improvement in the solvency ratio of 23.5 percentage points. In relation to this, it is highlighted that thanks to the recent recovery in the financial markets and while not considering the result for the period, at March 8, the solvency margin was close to 90%, with an impact from the previous stated Regulation 37 of 5.8 percentage points.

Parent Company Financial Statements

The company recorded a net loss of Euro 1,020.4 million (loss of Euro 636.4 million in 2010). The result was heavily impacted by the need to significantly revalue the prior year Motor TPL reserves for a total of Euro 476 million, by the weakened financial markets in the second part of the year, by the difficult property market and the significant impairments on majority holdings. The net write-downs on financial instruments in the year amount to Euro 1,031 million (Euro 586 million in 2010);

However, the strong technical performance of current generation Motor TPL contracts continues, following the restructuring of operations and which can quickly restore a normalised state of affairs to the Company.

Total premiums written amounted to Euro 4,842.0 million (-4.4% on 2010), of which Euro 3,796.0 million (-0.8%) in the Non-Life Division and Euro 1,046.0 million (-15.3%) in the Life Division.

Following the tariff actions approved in the previous year and extended in 2011, in the Motor TPL class premiums increased by 1.7% - based on average premium growth which more than offset the reduction in contracts in portfolio.

The drop in claims reported (-12.7%) is also encouraging, following the stringent settlement policy introduced in order to limit fraudulent behaviour; against the portfolio resizing actions, significant amounts of prior year claims are however outstanding and require very prudent reserve policies. The Loss ratio of the current generation significantly improved and amounts to 70.4% (76.8% in 2010).

In relation to the performance of the Other Classes, it is noted that:
- for the **Land Vehicle** class, although the market remains weak with a further contraction in premiums (-5.2%), margins have significantly increased, while claims reported continue to contract significantly (-10.1%);
- the negative performance of the **General Classes** follows a continued high level of claims – although significantly decreasing on 2010 - particularly in the TPL and Health classes.

The total direct business **Combined Ratio** increased from 105.9% in 2010 to 110.0% with a **Loss Ratio** of 85.3% (80.6% in 2010).

The **Life** Division reports a loss of Euro 283.2 million. This loss follows a contraction in premiums (-15.3%) and particularly the considerable contraction in investment income and – more specifically - the impact of write-downs which are not immediately represented in the commitments to policyholders.

Management expenses decreased slightly from Euro 919 million to Euro 909 million.

Investment income, without considering write-backs/impairments, decreased by approx. 9% to Euro 476.9 million. Net ordinary income rose to Euro 407.7 million (+4.8%).

Total investments, excluding Class D and including cash and cash equivalents, amounted to Euro 15,018 million (Euro 15,634 million in 2010); the decrease stems from significant write-downs, particularly on financial instruments.

The Executive Responsible for the preparation of the corporate accounting documents, Massimo Dalfelli, declares in accordance with Article 154 *bis*, paragraph 2, of the Consolidated Finance Act, that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries.

Share capital increase

The Board of Directors' meeting of March 15, 2012 reviewed also in light of the requests made by the Parent Company Premafin with the letter of March 6, 2012, the analysis made by the advisors Goldman Sachs and CitiGroup, which, within the current market environment, analysed the current evolution in the Company's consolidated solvency margin and the impact in relation to various levels of recapitalisation.
The Board of Directors, taking into consideration the temporary benefits as per ISVAP Regulation 37/2011, the persistent volatility of equity, corporate and government bond markets, as well as the necessity to ensure a stable and long-term capital base, considered, after consulting with the advisors, not to modify the amount of the proposed capital increase which therefore remains at Euro 1,100 million.
In particular the pro-forma Adjusted Solvency Margin at December 31, 2011 post-capital increase would be 125% and, based on the market prices at March 8, 2012 would amount to 136.5%.
It is recalled that – as illustrated in the Directors' Report to the Shareholders' Meeting – the share capital increase is within the proposed merger with the UNIPOL Group.

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With reference to the Shareholders' Meeting called in ordinary and extraordinary session to be held on 16 - 19 March 2012, we report that the Board of Statutory Auditors of the Company communicated that during the afore-mentioned shareholders' meeting, the first such meeting available, they will present their report on the complaint presented in October 2011 by a shareholder pursuant to Article 2408, second paragraph, of the civil code.

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Definitions and Glossary

Combined Ratio = the Loss Ratio and total expenses (general and acquisition charges and other net technical charges) on premiums.

Combined Operating Ratio = the Loss Ratio and general and acquisition charges (Expense Ratio) on premiums.

Annual Premium Equivalent (APE) = Total of new business annual premiums and one-tenth of single premiums.

Value of In Force Business = Current value, at a set discount rate, of future profits, net of taxes, generated from the policy portfolio in place.

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