2010 Annual Report

MILANO ASSICURAZIONI S.p.A.
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www.milass.it

Share Capital Euro 305,851,341.12 fully paid-in – Milan Company Registration Office, Tax and VAT Number 00957670151 - Company authorised to exercise insurance activities (art. 65 R.D.L. 29-4-1923 n. 966) – Registered at Section I of the ISVAP Company Role at number 1.00010
Company belonging to the Fondiaria-SAI Group, recorded in the Insurance Group Register at No. 030 – Direction and Co-ordination of FONDIARIA-SAI S.p.A.

5 YEAR OVERVIEW - PARENT COMPANY

	2006	%	2007	%	2008	%	2009	%	2010	%
TOTAL PREMIUMS										
MOTOR TPL	1,978,650	59.42	1,860,973	59.47	1,987,705	57.65	1,920,593	58.14	1,923,286	57.90
OTHER NON-LIFE DIVISION	771,365	23.16	771,647	24.66	905,147	26.25	901,337	27.28	885,898	26.67
LIFE DIVISION	580,138	17.42	496,564	15.87	555,079	16.10	481,597	14.58	512,070	15.42
TOTAL	**3,330,153**	**100.00**	**3,129,184**	**100.00**	**3,447,931**	**100.00**	**3,303,527**	**100.00**	**3,321,254**	**100.00**
CLAIMS PAID ***and related charges***	**2,557,520**		**2,678,222**		**3,439,871**		**2,847,460**		**2,970,665**	
GROSS TECHNICAL RESERVES										
PREMIUM RESERVE	964,329		944,673		1,090,903		1,087,097		1,088,057	
CLAIMS RESERVE	3,371,541		3,333,996		3,551,218		3,677,225		3,768,586	
OTHER NON-LIFE TECHNICAL RESERVES	9,057		11,217		13,257		14,267		15,588	
LIFE TECHNICAL RESERVES	4,132,848		3,982,725		3,822,212		3,836,609		3,846,557	
TOTAL	**8,477,775**		**8,272,611**		**8,477,590**		**8,615,198**		**8,718,788**	
TECHNICAL RESERVES/PREMIUMS	**254.58%**		**264.37%**		**245.87%**		**260.79%**		**262.51%**	
SHAREHOLDERS' EQUITY										
SHARE CAPITAL AND RESERVES	1,410,173		1,537,089		2,029,168		1,963,734		1,923,941	
NET PROFIT/LOSS	195,492		224,716		15,389		13,331		-512,679	
TOTAL	**1,605,665**		**1,761,805**		**2,044,557**		**1,977,065**		**1,411,262**	
INVESTMENTS										
PROPERTY	457,670	4.94	505,250	5.45	524,405	5.63	715,180	7.55	711,984	7.83
SECURITIES AND DEPOSITS	8,327,135	89.90	8,327,553	89.90	8,284,297	89.00	8,247,120	87.11	7,896,141	86.89
LOANS	56,496	0.61	54,759	0.59	61,211	0.66	43,341	0.46	27,535	0.30
DEPOSITS AT REINSURERS	3,336	0.04	3,010	0.03	2,651	0.03	2,222	0.02	2,488	0.03
DEPOSITS AT CREDIT INSTITUTIONS	86,525	0.93	119,057	1.29	158,379	1.70	176,007	1.86	209,463	2.30
CLASS D INVESTMENTS	331,280	3.58	253,662	2.74	277,725	2.98	283,349	2.99	239,949	2.64
TOTAL	**9,262,442**	**100.00**	**9,263,291**	**100.00**	**9,308,668**	**100.00**	**9,467,219**	**100.00**	**9,087,560**	**100.00**
AVERAGE NO. OF EMPLOYEES	**1,585**		**1,541**		**1,709**		**1,677**		**1,597**	

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SEPARATE FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

BOARD OF DIRECTORS

Salvatore **Ligresti**	*Honorary Chairman*
Emanuele Erbetta *	*Chairman-Chief Executive Officer-General Manager*
Gioacchino Paolo **Ligresti** *	*Vice Chairman*
Cosimo **Rucellai** *	*Vice Chairman*
Umberto **Bocchino** *	
Barbara **De Marchi**	
Flavio **Dezzani**	
Maurizio **Di Maio**	
Mariano **Frey**	
Giulia Maria **Ligresti** *	
Jonella **Ligresti**	
Fausto **Marchionni**	
Massimo **Pini** *	
Francesco **Randazzo**	
Salvatore **Rubino** *	
Simone **Tabacci**	
Alessandra **Talarico**	
Antonio **Talarico** *	
Fausto **Rapisarda**	*Secretary of the Board and the Executive Committee*

BOARD OF STATUTORY AUDITORS

Giovanni **Ossola**
Chairman

Maria Luisa **Mosconi**
Statutory Auditor

Alessandro **Rayneri**
Statutory Auditor

Giuseppe **Aldè**
Alternate Auditor

Claudio **De Re**
Alternate Auditor

Roberto **Frascinelli**
Alternate Auditor

AUDIT FIRM

DELOITTE & TOUCHE S.P.A.

GENERAL MANAGER

Emanuele **Erbetta**

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio **Bedogni**

(*) Members of the Executive Committee

- On January 27, 2011, Mr. Fausto Marchionni resigned from the offices of Chairman and Chief Executive Officer, while remaining in the office of Director (expiry of office: approval of 2010 accounts). On the same date the Board of Directors appointed the Director Mr. Emanuele Erbetta as Chairman and Chief Executive Officer. From January 1, 2011 Ms. Lia Lo Vecchio resigned from the position of Director.
- With reference to CONSOB Communication 97001574 of February 20, 1997, the nature of the delegated powers conferred to the Directors are as follows:
  the Chairman-Chief Executive Officer, Mr. Emanuele Erbetta, is the Legal Representatives of the company pursuant to article 20 of the Company By-Laws and has all ordinary and extraordinary administrative powers, to be exercised in single signature and with possibility to confer mandates and proxies, with the exclusive exception of the following powers:
  - sale and/or purchase of property above the value of Euro 10 million for each operation;
  - sale and/or purchase of investments above the value of Euro 25 million for each operation and, in any case, of controlling interests;
  - obtaining of loans above Euro 50 million for each operation;
  - provision of non-insurance guarantees in favour of third parties.
- The Executive Committee has all the powers not attributed to the Chairman/Chief Executive Officer, with the exception of those which by law or the company by-laws are the exclusive responsibility of the Board of Directors, excluding all resolutions in relation to related party and inter-group operations identified by the Board of Directors.
- The Board of Directors was appointed by the Shareholders' Meeting on April 21, 2008 and will remain in office until the approval of the financial statements by the Shareholders' Meeting for the year ended December 31, 2010.

CALL NOTICE OF THE SHAREHOLDERS´ AGM

(Published in O.G. March 15, 2011 No. 30)

Those with the right to attend and vote are called to the ordinary shareholders' meeting scheduled for April 27, 2011 at 11 AM in Milan, Viale Don Luigi Sturzo No. 45 at the Atahotel Executive in first call and, if necessary, in second call on April 28, 2011, at the time of 9 AM in the same place to discuss and vote upon the following

Agenda

1. Financial statements at December 31, 2010 Board of Directors' Report on Operations. Report of the Board of Statutory Auditors and Independent Auditors' Report. Resolutions thereon.
2. Appointment of the Board of Directors and relative resolutions.
3. Resolutions on the remuneration of the Board of Directors.
4. Appointment of the Board of Statutory Auditors and the Chairman for the years 2011/2012/2013 and determination of remuneration.
5. Resolution relating to treasury shares in accordance with articles 2357 and 2357-ter of the Civil Code.
6. Resolutions on the shares of the direct parent company FONDIARIA-SAI S.p.A. pursuant to Article 2359-*bis* of the Civil Code.
7. Resolutions on the shares of the indirect parent company Premafin Finanziaria S.p.A pursuant to Article 2359 of the Civil Code.

Attendance and representation at the shareholders' meeting

In accordance with Article 9 of the By-Laws, those who based on the communication sent to the company from a properly appointed "intermediary" in accordance with the applicable regulation and in accordance with the accounting records by the end of the 7th trading day (so-called "record date") before the date fixed for the shareholders' meeting in first call (therefore April 14, 2011) have the right to attend and vote at the shareholders' meeting.

Those who hold shares only after the record date will not have the right to attend or vote at the shareholders' meeting.

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

Those with such right may be represented at the shareholders' meeting through written proxy in accordance with the legal provisions, through utilising the proxy form available on the internet site of the company "www.milass.it".

Proxy may be notified to the Company through sending a registered letter to the Shareholders' Office of the Company at the following address:
Milano Assicurazioni S.p.A.
Corporate Secretariat Office
Via Lorenzo il Magnifico, 1
50129 FLORENCE,
or through electronic notification to the certified email address "gruppofondiaria-sai@legalmail.it". Proxy may be conferred, with voting instructions, to the Trust Company "SPAFID" S.p.A., appointed by the Company in accordance with Article 135-*undecies* of the CFA, on condition that such is sent to the appointed company through registered post to the residence of the appointed person in Milan, Foro Buonaparte No. 10, or through certified e-mail to the address "spafid@actaliscertymail.it", by the second trading day before the date fixed for the shareholders' meeting in first call (therefore April 21, 2011). Any proxy granted to SPAFID is valid only for the proposals on which voting instructions are provided. A proxy form is available on the internet site of the Company www.fondiaria-sai.it.

Voting may not take place through correspondence or electronic means.

Those with such a right may submit questions concerning matters on the agenda also before the shareholders' meeting, however by the end of the 2nd trading day preceding the date fixed for the shareholders' meeting in first call (therefore April 21, 2011), through registered letter to the Shareholders' Office of the Company, at the address stated above, or through certified email to the e-mail address "gruppofondiaria-sai@legalmail.it", accompanied by the certification of the intermediary declaring share ownership; the certification is however not necessary in the case in which the communication of the intermediary necessary for attendance at the shareholders' meeting is sent.
For the questions sent before the Shareholders' Meeting, response will be given at the meeting itself, with the faculty of the Company to provide a single response to questions with similar content.

Right to request supplementation of the Agenda
In accordance with Article 126 *bis* of Legs. Decree 58/98, Shareholders who represent, even jointly, at least one-fortieth of the share capital with voting rights may request, within ten days of the publication of the present notice, a supplementation to the matters on the agenda. Questions may be submitted in writing through registered letter to the Shareholders' Office of the Company, at the address indicated above, or through certified e-mail to "gruppofondiaria-sai@legalmail.it", accompanied by the certification of the intermediary declaring ownership of the number of shares necessary to present such requests, on the condition that such is sent to the Company within the time limit stated above; within the same time period and in the same manner a report on the proposed matters must be presented by the proposers.
In relation to any supplementation to the matters on the agenda that the Shareholders' Meeting must consider following the above stated requests, notice is provided, in the same manner established for the publication of the call notice, at least fifteen days before the date fixed for the Shareholders' Meeting in first call. At the same time of publication of the

supplementation notice, in the same manner established for the documentation relating to the Shareholders' Meeting, the report prepared by requesting Shareholders, accompanied by any evaluations of the Board of Directors, will be made available to the public.
Integration is not permitted for those matters on which the Shareholders' Meeting passes resolutions, as prescribed by law, on proposals of the Directors or in relation to a project or report prepared by the Board.

Composition of the share capital
The share capital subscribed and paid-in of the Company, amounting to Euro 305,851,341.12, consists of 557,435,774 ordinary shares and 30,739,882 savings shares, all with a nominal value of Euro 0.52 each.
At the current date the total number of shares with voting rights, excluding the treasury shares and those held by subsidiary companies, amounts to 550,670,914 ordinary shares.

Appointment of the Board of Directors (agenda point No. 2)
For the appointment of the Board of Directors, making reference to the by-laws and the directors' report to the shareholders' meeting for anything not specified, those who qualify may present slates within the terms and conditions and the manner and limits established by Article 12 of the by-laws, in addition to Consob Resolution No. 17633 of January 26, 2011, which establishes the minimum percentage holding necessary for the presentation of slates. In relation to the slates for the appointment of the Board of Directors, the list of candidates must be filed at the registered office of the company or sent through e-mail to the certified e-mail address "gruppofondiaria-sai@legalmail.it"at least twenty-five days before the date fixed for the Shareholders' Meeting in first convocation, by shareholders which, alone or together with other shareholders presenting the slate, provide evidence of holding at least 2.5% of the share capital with voting rights at the ordinary shareholders' meeting.
The shareholders presenting a "minority slate" are governed also by Consob communication No. DEM/9017893 of February 26, 2009.

Appointment of the Board of Statutory Auditors (agenda point No. 4)
For the appointment of the Board of Statutory Auditors Article 21 of the company by-laws provides for a voting mechanism of slates, in order that, pursuant to current regulations, one standing member and one alternate member of the Board of Statutory Auditors are elected by the minority slate and the Chairman of the Board is the standing member elected from that slate.
Making reference to the by-laws and the directors' report to the shareholders' meeting for anything not specified, those who qualify may present slates within the terms and conditions and the manner and limits established by the above-stated Article 21 of the by-laws, in addition to Consob Resolution No. 17633 of January 26, 2011, which establishes the minimum percentage holding necessary for the presentation of slates. The list of candidates must be filed at the registered office of the company or through e-mail to the certified email address gruppofondiaria-sai@legalmail.it at least twenty-five days before the date fixed for the Shareholders' Meeting in first call, by shareholders which, alone or together with other shareholders presenting the slate, provide evidence of holding at least 2% of the share capital with voting rights at the ordinary shareholders' meeting.

The shareholders presenting a "minority slate" are governed also by Consob communication No. DEM/9017893 of February 26, 2009.
In the case in which at the deadline for the presentation of slates, only one slate has been filed, or only slates presented by the shareholders which are related in accordance with Art. 144 of the Consob Issuers' Regulations, slates may be presented until the third subsequent day; in this case the threshold for presentation of slates is reduced to 1% of the share capital with voting rights.

Documentation relating to the agenda and publication of the present notice
The documentation relating to the agenda is available in accordance with the provisions required by law and on the internet site of the company "www.milass.it". Specifically: (i) the directors' report on point 2, 3 and 4 of the agenda will be made available to the public at least 40 days before the shareholders' meeting; (ii) the directors' report on points 5, 6 and 7 of the agenda will be made available to the public at least 30 days before the shareholders' meeting; (iii) the financial report and other documents as pert Article 154-*ter* of the CFA will be made available in sufficient time and however not less than 21 days before the shareholders' meeting.

The present call notice is published, in accordance with Article 125-*bis* of the CFA and in accordance with Article 9 of the By-Laws, on the internet site of the Company www.milass.it, in the newspaper Il Sole 24 Ore and in the Official Gazette of the Italian Republic.

For the Board of Directors
The Chairman
(Emanuele Erbetta)

DIRECTORS' REPORT
for the year ended December 31, 2010

Operational Performance

Dear Shareholders,

2010 reports a loss of Euro 512.7 million compared to a profit of Euro 13.3 million in 2009. The key factors in 2009 which contributed to this result are summarised below:

- the technical account of the Life Division reports a loss of Euro 50.5 million, compared to a profit of Euro 117.9 million in 2009. The loss stems from a significant reduction in investment profits due essentially to the impairments implemented to the division's investments. Based on current regulations, the impairments are entirely absorbed by the company even if relating to investments to cover the technical reserves. The policyholders share of losses concerning the separated management of the life division are only recorded if and when these losses are recognised following the sale on the market of the relative financial assets.
  The technical margins of the portfolio are however positive and substantially unchanged on the previous year. Once the instability which currently affects the markets has passed, the life sector will be well placed to take advantage of the strong potential of a portfolio principally comprising traditional type products which are sufficiently remunerative and engender client loyalty over the long-term.

- the technical account of the Non-Life Classes recorded a loss of Euro 319.7 million compared to a loss of Euro 110.4 million in 2009. The deterioration is due both to the non-existence of investment profits relating to the technical account and the increase in losses recorded in the Motor TPL and the General TPL Classes.
  In the Motor TPL class, although with a stable performance for contracts acquired in the year, it was necessary to further and significantly strengthen the reserves concerning prior year claims, following particularly the new physical injury compensation tables adopted by the major courts which resulted in a significant increase in the average costs of claims paid. The difficulties in certain areas of Centre-South Italy continue, with a high proportion of physical injury claims and claims which, due to the manner of the claim and the occurrence of the incident, have raised suspicions of fraud against the company.
  The General TPL class reports a negative performance following the worsening of the claims to premium ratio in the current period and higher prior year claims costs, already recorded to the reserve.
  The Civil Responsibility Class performance had a significant impact on the overall Combined Ratio of the Non-Life Classes which, net of reinsurance, increased from 108.1% in 2009 to 111.8% in 2010.
  Focused technical, management and commercial actions have been taken to deal with this situation with positive results expected from the first part of 2011.

- the asset and financial management was impacted by significant impairments to shares and holdings with total net charges of Euro 103.7 million against net income of Euro 446.8

million in 2009. In particular:

- investment income totalled Euro 254.9 million, a decrease on Euro 283.4 million in 2009 due to the continuation of the expansive monetary policy by the relevant authorities with the maintenance of low base interest rates in order to foster a recovery, which remains tentative, in addition to lower dividends received – also owing to the difficult economic environment;
- the valuation of the financial instruments resulted in net impairments of Euro 433.7 million (net impairments of Euro 38.1 million in 2009). The impairments relate to investments in group companies for Euro 228.9 million, non-current equity investments of Euro 65.4 million and current financial instruments, whose book value was aligned to the stock market price at year-end, for Euro 129.7 million. The residual Euro 9.7 million relates to impairments and depreciation of buildings.
- net income to be realised on investments amount to Euro 59.1 million (Euro 81 million in the previous year), of which Euro 17.3 million relating to the trading of equity securities while Euro 41.8 million relates to bond securities and other financial instruments;
- investments relating to policies with risk borne by the policyholder recorded net income of Euro 15.9 million (Euro 44.4 million in 2009); the decrease in this case is also due to the financial market situation, which remains volatile, and in particular the weakness of some bond issue prices;
- net income on sale of non-current investments amounted to Euro 60.3 million (Euro 6.2 million in 2009), of which Euro 49.9 the gain on the sale of the building located in Milan, Via Cordusio No.2.

- the administration expenses, net of the allocation to the technical and asset accounts, amounted to Euro 95.3 million, an increase of 7% compared to the previous year. The increase is principally due to higher rental charges following the conferment to the Rho Real Estate Fund in 2009 of buildings to be used by the venture, including the property located in Milan, at Via Senigallia 18/2, the registered office of the company.
  The number of employees at December 31, 2010 amounted to 1,597, a decrease of 80 compared to December 31, 2009. In the year, 37 new hires took place with 117 departures. Personnel expenses amounted to Euro 114.9 million – stable on 2009.

It is also noted that:

- on April 19, 2010, the merger by incorporation of Meridiano Orizzonti into Milano Assicurazioni was signed. The legal effects of the merger are as of April 19, 2010 with accounting and fiscal effects back-dated to January 1.
  The merger was approved by the Shareholders' Meeting of Meridiano Orizzonti on October 13, 2009 within the rationalisation and reorganisation of the Fondiaria-Sai Group;

- with effect from December 29, 2010, the merger by incorporation of the company Dialogo Vita Compagnia di Assicurazioni S.p.A. into Milano Assicurazioni was completed. The accounting and tax effects of the merger were back-dated to January 1, 2010. The merger was undertaken taking account of the limited operations carried out by the subsidiary and the limited expectations for the short-term period.

The balance sheet data of the incorporated companies at the effective date of the mergers, and the income statement data for the full year 2010, are merged with Milano Assicurazioni. In the present report and notes, the changes in the account items relating to the above-stated mergers are indicated.

* * *

The key figures in the 2010 income statement of Milano Assicurazioni compared to the previous year are shown below:

(in Euro thousands)

Financial Highlights	**2010**	**2009**
Result of life technical account	**- 50,475**	**117,909**
Direct Business Non-Life Technical Balance:		
- Motor TPL	- 272,090	- 235,911
- Other Non-Life Classes	- 14,371	48,711
Total direct premiums	**- 286,461**	**- 187,200**
Outward reinsurance and indirect business	- 31,699	- 27,382
Non-Life Technical Balance	**- 318,160**	**- 214,582**
Change in the equalisation reserves	- 1,549	- 1,634
Profit attributed to the non life technical account		105,807
Result of non-life technical account	**- 319,709**	**- 110,409**
Total technical result	**- 370,184**	**7,500**
Investment income	254,922	283,360
Adjustments to investment values, net of write-backs	- 433,712	38,054
Net profit on sale of investments	59,131	81,008
Income relating to investments with risk borne by policyholders	15,916	44,368
Less: profits assigned to technical accounts	- 68,792	- 373,534
Quota of goodwill amortised	- 18,902	- 18,902
Other income, net of other charges	- 98,478	- 15,968
Result from ordinary activities	**- 660,099**	**45,886**
Profits from sale of long-term investments	60,271	- 6,157
Other extraordinary income and charges	- 4,613	- 9,135
Loss before taxes	**- 604,441**	**30,594**
Income taxes	91,762	- 17,263
Net profit/(loss) for the year	**- 512,679**	**13,331**

Insurance Business

Premiums and accessories

Premiums in 2010 totalled Euro 3,321.3 million, substantially stable on the previous year (+0.5%).

With reference only to the direct premiums written – comprising almost the total portfolio, premiums written amounted to Euro 3,290.7 million, of which Euro 2,778.6 million were in the Non-Life Division (-1.2% compared to 2009) and Euro 512.1 million in the Life Division, recording a growth of 6.3%.

Within the Non-Life Classes, motor premiums amounted to Euro 1,903.2 million (-0.9% on 2009). Premiums were affected both by the difficult economic environment, which has affected the entire insurance market, and also by the actions taken by the company to recover profitability in a sector which for some time has shown signs of a technical deterioration, also as a result of fraudulent activity.

At a general level premiums were impacted by the lack of new vehicle registrations, in part due to the discontinuation of government incentives, as well as the recently enacted legislative provisions necessitating the attribution of the bonus-malus class at family level and also the application of malus only in the case of principal responsibility.

More specifically, premiums were affected by the discontinuation of a number of multi-risk contracts, the actions in relation to agencies with particularly poor technical performances as well as the new underwriting criteria adopted, which bases the acquisition of contracts on the application of the correct technical parameters according to the tariff, limiting the recourse to discounts.

Premiums written in other Non-life classes amounted to Euro 875.4 million, a decrease of 1.81% on the previous year. The sector also continues to be affected by the difficult economic context, which curtails the need for corporate insurance coverage on the one hand and on the other limits the resources available for underwriting retail coverage.
The underwriting policy continues to focus on the selection of risks and the application of correct technical parameters, favouring the retail sector, which presents a better technical performance.

In the Life Division, premiums of Euro 512.1 million were written (including Euro 0.2 million relating to Dialogo Vita, incorporated into Milano Assicurazioni during the year), with an increase of 6.3% on 2009.
The strong performance of traditional **class one** insurance products is highlighted (9.4%), following in particular the strong uptake by the client base of separated management contracts, characterised by minimum guaranteed yields consolidated annually, related to demographic-based insurance content factors.

The growth was seen across nearly all of the product range, both for the medium-high single premium products and for the smaller annual or recurring premiums.

The **securitisation** class recorded premiums substantially in line with the previous year. Premiums derived both from the agency networks and larger contracts, managed centrally and agreed at conditions which guarantee sufficient profit levels. Interest from institutional investors and corporate clients remained strong in insurance products as instruments of effective treasury management.

In relation to the **distribution channels**, the new business from the agency networks recorded a strong contribution from annual and recurring premium products, which engender greater client loyalty and foster the long-term growth of the portfolio.

In the indirect business, the premiums amounted to Euro 30.6 million compared to Euro 9.9 million written in 2009.
The increase relates to the acceptances by group companies of Motor TPL contracts from the current year – particularly by the subsidiaries Systema and Dialogo. The premiums accepted by other companies remain limited (Euro 3.2 million) following the decision taken in the past to terminate the underwriting in the inward reinsurance market.

The details of premiums written by class compared to the previous year are shown in the table below.

Premiums and Accessories	2010	2009	Change %	Distribution	
	in Euro thousands			2010	2009
DIRECT PREMIUMS					
NON-LIFE DIVISION					
Accident	172,807	183,525	-5.84	5.20	5.56
Health	55,763	58,999	-5.48	1.68	1.79
Railway	0,00	-		0.00	0.00
Aviation	12,244	15,275	-19.84	0.37	0.46
Maritime	4,010	3,865	3.75	0.12	0.12
Goods in transit	3,361	4,751	-29.26	0.10	0.14
Fire and natural elements	175,938	175,957	-0.01	5.30	5.33
Other damage to property	153,986	150,354	2.42	4.64	4.55
Aviation TPL	3,630	5,620	-35.41	0.11	0.17
Maritime TPL	3,684	3,614	1.94	0.11	0.11
General TPL	215,009	211,793	1.52	6.47	6.41
Credit	2	2	0.00	0.00	0.00
Bonds	31,710	30,249	4.83	0.95	0.92
General pecuniary losses	9,281	13,491	-31.21	0.28	0.41
Legal protection	6,944	7,685	-9.64	0.21	0.23
Assistance	27,005	26,348	2.49	0.81	0.80
Total Non-Life Division – excluding the Motor division	**875,374**	**891,528**	**-1.81**	**26.36**	**26.99**
Land Motor TPL	1,633,672	1,639,733	-0.37	49.19	49.63
Land vehicles	269,576	280,860	-4.02	8.12	8.50
Total Division – Motor	**1,903,248**	**1,920,593**	**-0.90**	**57.31**	**58.13**
Total Non-Life Division	**2,778,622**	**2,812,121**	**-1.19**	**83.67**	**85.12**
LIFE DIVISION					
Insurance on human life expectancy	416,533	380,765	9.39	12.54	11.53
Insurance relating to investment funds and market indices	3,882	9,605	-59.58	0.12	0.29
Health Insurance	52	124	-58.06	0.00	0.00
Securitisation operations	86,702	87,000	-0.34	2.63	2.63
Management operations of Pension Funds	4,899	4,042	21.20	0.15	0.12
Total Life Division	**512,068**	**481,536**	**6.34**	**15.41**	**14.58**
Total Direct Business	**3,290,690**	**3,293,657**	**-0.09**	**98.08**	**99.70**
INDIRECT PREMIUMS					
NON-LIFE DIVISION	30,562	9,812	211.48	0.92	0.30
LIFE DIVISION	2	60	-96.67	0.00	0.00
Total indirect premiums	**30,564**	**9,872**	**209.60**	**0.92**	**0.30**
TOTAL	**3,321,254**	**3,303,529**	**0.54**	**100.00**	**100.00**

Technical results

Non-Life Division

The technical account of the Non-Life Classes recorded a loss of Euro 319.7 million compared to a loss of Euro 110.4 million in 2009.

The deterioration is principally due to the non-existence of investment profits relating to the technical account and the increase in losses recorded in the Motor TPL and the General TPL Classes. The overall combined ratio of the non-life division, net of outward reinsurance, for 2010 was 111.8% compared to 108.1% in 2009, against a net technical balance which deteriorated from a loss of Euro 214.6 million in 2009 to a loss of Euro 318.2 million in 2010.

The details by class compared to the previous year are shown in the table below.

Direct Business technical balance Non-Life Division – Italian Portfolio	2010	2009	Changes 2010 /2009
Accident	40,864	22,777	18,087
Health	- 4,624	1,454	- 6,078
Aviation	3,124	8,371	- 5247
Maritime	- 482	- 4,832	4,350
Goods in transit	1,542	388	1,154
Fire and natural elements	4,811	- 5,286	10,097
Other damage to property	- 6,524,	- 7,870	1,346
Aviation TPL	1,402	4,346	- 2,944
Maritime TPL	- 4,359	1,745	- 6,104
General TPL	- 88,893	- 7,666	- 81,227
Credit	- 87	46	- 133
Bonds	3,586	9,262	- 5,676
General pecuniary losses	- 4,824	- 2,895	- 1,929
Legal protection	3,869	5,500	- 1,631
Assistance	9,421	6,315	3,106
Total Non-Life Division – excluding Motor division	**- 41,174**	**31,655**	**- 72,829**
Land Motor TPL	- 272,090	- 235,911	- 36,179
Land vehicles	26,803	17,056	9,747
Total Motor division	**- 245,287**	**- 218,855**	**- 26,432**
Total gross direct business	**- 286,461**	**- 187,200**	**- 99,261**
Business ceded	**- 30,128**	**- 27,894**	**- 2,234**
Total direct business retained	**- 316,589**	**- 215,094**	**- 101,495**
Indirect business	**- 1,571**	**512**	**- 2,083**
Total retained direct and indirect business	**- 318,160**	**- 214,582**	**- 103,578**

Comments on the performance of the individual classes are reported below. The number of claims reported includes, for the quota of the year, also the claims on co-insurance policies. The data is compared on like-for-like terms.

Land Motor TPL

Premiums Euro 1,633.7 million (-0.4%)
Claims reported 360,890 (-6.7%)

Premiums were affected by the continuation of the economic difficulties and in particular the lack of new vehicle registrations (-13% on 2009), also as a result of the withdrawal of government incentives.

The recently introduced regulations to the sector continued to have a negative impact, which significantly altered the bonus/malus system in its function to adjust premiums to contract risk, through applying the bonus/malus at family level and also applying malus only in the case of principal responsibility.

In October, the new tariff was introduced, introducing greater risk differentiation, based both on the characteristics of the vehicle with particular reference to security features and the repair costs, and the specifics of the contracting party related to age and geographic area. Finally greater value is given to the information reported on the expected risk.

The review process continued of the commercial policies undertaken in relation to collective agreements and vehicle fleets, monitoring on a monthly basis the performance of the contracts in order to promptly intervene with profit recovery actions.

The technical performance was still negatively impacted by contracts issued in previous years, particularly in certain regions of Centre-South Italy, with a higher percentage of claims reporting physical injury and where the risk of fraud to the company is greatest. Current generation contracts however improved, with an increase in the average policy premium and a decrease in the frequency.
The recent introduction of the new physical injury compensation tables adopted by the main courts resulted in a significant increase in the average claim cost paid, with the consequent necessity to significantly strengthen the prior year claims reserves.

For the recovery in overall profitability, further actions were taken in relation to the underwriting of contracts, through the new tariff introduced in October, and also in relation to agencies with particularly poor technical performances, as well as actions concerning claim settlement criteria, introducing, among other issues, a new anti-fraud structure in the year in order to cope with an increasingly significant problem in this difficult economic environment.
This structure, supported by specific IT supports, identifies potentially false claims with regional investigative and settlement networks carrying out more in-depth investigations to ascertain the reality behind the events claimed.
In some regions the first affects of the actions saw a drop in claims by injured parties.

Also in relation to the claims trend, we report the following significant data.

At December 31, 2010, the claims reported by our policyholders within the CARD

compensation regime amounted to 256,215, of which 210,334 were fully paid. The settlement speed in the current year, net of the claims not accepted, was 82.1% (76.7% in 2009), while for prior year claims the amount was 77.9% (81.1% in 2009).
The reported claims accepted with follow up through the clearing house with CONSAP, in relation to the claims in which our policyholders were in full or in part responsible (CARD debtor) amounted to 234,829 - of which 182,333 gave rise to the full payment of the indemnity and 52,496 resulted in the recording of a reserve.

Relating to the claims not within the CARD regime (prevalently relating to claims with more than two vehicles involved or with bodily damage above 9%), the settlement speed in the year was 56.5% (51% in 2009), while prior year claims amounted to 54.8% (60% in 2009).

Overall, the claims for the current year amount to Euro 1,274.3 million, compared to Euro 1,386.7 million in 2009. The ratio of claims to premiums for the current year is 78% compared to 83.7% recorded in 2009.

The claims for which our policyholders were civilly responsible (claims not included under direct indemnity and card debtor claims), still open at December 31, 2010 and the relative percentages on the claims reported are shown in the table below:

Generation	Claims Reported	Number of claims open	% on reported claims
2002	443,984	983	0.22
2003	453,234	1,301	0.29
2004	454,165	1,820	0.40
2005	465,381	3,144	0.68
2006	464,359	5,826	1.25
2007	443,740	6,521	1.47
2008	397,493	13,415	3.37
2009	386,731	26,553	6.87
2010	360,890	75,575	20.94

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

Land vehicles

Premiums Euro 269.6 million (-4%)
Claims reported 123,775 (-7%)

The contraction in premiums written is due to the difficult economic environment which limits household disposable income with a consequent reduction in accessory guarantees to motor policies and the weakness of the car market which in 2010 again saw a significant decrease in new car registrations (-13% on 2009).
The sales policies of the motor manufacturers have also impacted volumes with the inclusion in the vehicle sales price of insurance packages with fire, theft and assistance guarantees. The review of the portfolio - particularly focused on the fleet policies with poor performances – also impacted the result.
The technical performance was positive, with results that have gradually improved following the actions undertaken to recovery profitability after the emergence in the fourth quarter 2009 of particularly negative performances of some accessory guarantees, such as vandalism and windshield damage, which affected the overall profit margin.
Profit levels were assisted by the new combined guarantee sales methods which offset the claims recorded in certain types of coverage and the adoption of specific compensation forms, particularly in relation to windshield guarantees.

Other Non-Life Classes

Accident

Premiums Euro 172.8 million (-5.8%)
Claims reported 34,422 (-11.8%)

The technical performance was largely satisfactory and a significant improvement compared to the previous year, due to the favourable performance of the claims reported and the positive evolution of the claims from the previous years, already accrued.
The performances continue however to be closely monitored with particular focus on the Corporate segment, with the consequent introduction of targeted initiatives in relation to poorly performing contracts and those affected by particularly large claims.

Health

Premiums Euro 55.8 million (-5.5%)
Claims reported 52,148 (+19.9%)

The underwriting policy remains prudent in a sector which presents a high level of claims.
The negative technical performance is essentially due to two collective policies acquired in co-assurance by Sasa Assicurazioni in previous years which, among others, recorded an increase in late claims requiring the strengthening of the relative reserve.
In relation to these contracts, the necessary actions were taken: in one case the risk sharing ended on December 31, 2010, and in the other, our share was significantly reduced as the relative three year contract will naturally expire at the end of 2011.

Aviation

Premiums Euro 12.2 million (-19.8%)
Claims reported 22 (-50.0%)

The *Aviation Class* operations are principally handled by Sasa Assicurazioni, incorporated into Milano Assicurazioni at the end of 2008. The direct premiums technical performance remained largely positive, with a claims/premium ratio above 30% and a combined ratio of approx. 60%. In absolute values, the technical balance is lower than the previous year following the decrease in business.
However the strong recourse to reinsurance, typical of a class with high exposure in terms of capital insured, significantly reduces the technical profit of the portfolio retained.

Maritime

Premiums Euro 4.0 million (3.8%)
Claims reported 237 (-0.8%)

As in previous years, premiums principally relate to the pleasure boat sector and were acquired under a stringent underwriting policy. Policies were substantially reserved for clients which have enjoyed a relationship with the company over a number of years resulting in a consolidated portfolio of those with the company for more than one year.
The technical performance, net of reinsurance, although remaining negative significantly improved on the previous year.

Goods in transit

Premiums Euro 3.4 million (-29.3%)
Claims reported 378 (-32.7%)

The reduction in premiums is due to the difficult economic environment, with sluggish industrial production and which consequently led to a reduction in insurance demand and a contraction of corporate revenues on which premiums are based.

The technical balance was satisfactory, thanks to a very selective underwriting policy, together with a significant contraction in claims in the market as a whole - with a considerable decline in the number of transported goods theft claims.

Fire and natural elements

Premiums Euro 175.9 million (unchanged)
Claims reported 34,061 (-12.4%)

The favourable claims performance within the context of substantial stability of premiums written enabled a positive technical result, despite a particularly large claim relating to the natural event which hit the Veneto region in October.
The underwriting policy was restructured in order to incorporate the risks relating to natural disasters, identifying more modern methods which include, among others, the use of statistics from the National Geophysical and Vulcanology Institute. In particular, the criteria utilised to determine the lower limits for guarantees were redrawn, as well as the values and implementation of exemptions and thresholds.
In the Corporate sector, specific initiatives were taken to improve profitability, focusing attention on agencies with unsatisfactory performance and on individual contracts with particularly poor technical balances or hit by significant claims.

Other damage to property

Premiums Euro 154 million (2.4%)
Claims reported 62,142 (2.4%)

The overall technical balance of the division remained negative against a claims to premium ratio in the current year which increased on the previous year and a substantially neutral impact from the settlement of prior year claims, already recorded to the reserve.

Difficulties continue to emerge from the *Fabbricati* (Buildings) products which, although improving on 2009, present a particularly penalising claims to premium ratio, from the *Commercio e Alberghi* (Shops and Hotels) segment and the *Artigianato e Piccola Industria* (Craft and Small industry) segment, which deteriorated compared to the previous year.
The contribution of the *Professionisti e Casa-Famiglia* (Professionals and Home-Households)

and those relating to *Furto* (Theft risk coverage) were positive however.
Hailstorm class premiums decreased by 9% following the reduction in the unitary prices of agricultural products and the more stringent ministerial regulation concerning subsidised insurance which caused many farmers to abandon insurance coverage following the discontinuation of subsidies previously received under the cultivation plan. The technical result remained positive, with a claims to premiums ratio of 44% which improved both on 2009 (48%) and the market average (95%).

General TPL Class

Premiums Euro 215.0 million (1.52%)
Claims reported 47,706 (-4.5%)

A negative technical balance follows the increase in the current year claims-premiums ratio and the impact of prior year claims.
Claims were particularly high in the corporate sector, specifically in the public bodies class, where the monitoring of performances was stepped up and premium management improved. The analyses regard both our exclusive policies and those acquired under co-assurance.
In the retail sector - which reports a better overall performance - products concerning professionals working in the healthcare area performed poorly.
Targeted actions are being implemented to recover profitability on poor performing contracts, on agencies with particularly unsatisfying results and on policies hit by significant claims.

Bonds Class

Premiums Euro 31.7 million (4.8%)
Claims reported 657 (10.2%)

In 2010, the Bond Class returned very strong results, despite the domestic economic environment continuing to be affected by the crisis which had significant impacts on some product sectors.
Premiums increased by 4.8% although with a lower number of contracts written.

This increase is largely attributable to the adjustment of the rates applied both to "traditional" risks and to those, of an increasing number, with higher degree of complexity and possible claims. An increase in rates was applied particularly to significant risks, considering the higher potential claims on commitments undertaken by the Company.
The increase in premiums relates to the Agency distribution channel and to a larger degree to the Brokers, particularly following the focus on relations with Brokers, through which our Company has now established a leading position in the Bond Class.

In relation to profitability, claim frequency increased slightly directly related to the continuation of the economic crisis and the consequent deterioration of the claims to premiums ratio, which increased from approx. 45% in 2009 to 56.6% in the current year. The technical balance remained very positive.

A training project for the agency networks (scheduled for the second part of the year) is currently being planned.
In relation to the underwriting policies chosen, taking account of the likely continuation of the effects of the economic crisis throughout 2011, it is considered indispensable to confirm the guidelines adopted in previous years, focussing on prudent selection of the client and of the individual underwriting businesses.
The rates to be applied will continue to be examined due to the increased and more complex risks being undertaken.

General pecuniary losses

Premiums Euro 9.3 million (-31.2%)
Claims reported 1,590 (-10.9%)

The technical result remains negative, essentially relating to contracts undertaken affected by employment risk by the networks of the Sasa division, which was significantly affected by the difficulties within the labour market.
To combat this situation, operations with various non-profitable financing companies were discontinued and contracts related to small businesses and risks not guaranteed by post-employment benefit provisions were no longer undertaken. This led to a significant decrease in premiums written.
The overall market contracted due to the tighter regulations adopted by the Bank of Italy for financial intermediaries in relation to the exercise of activities and concerning procedural and transparency obligations.

Legal protection

Premiums Euro 6.9 million (-9.6%)
Claims reported 574 (-5.1%)

The division confirmed its strong profitability recording a particularly favourable current year claims to premiums ratio and a balanced prior year claims performance, already recorded to the reserve. The technical balance was strong at approx. 50% of premiums written.

Assistance

Premiums Euro 27 million (2.5%)
Claims reported 53,202 (-1.1%)

The premiums written principally refers to guarantees inserted in the motor, health, injury, fire and other property damage contracts, capable of providing more complete insurance cover and of greater interest to the customer. The technical balance was again satisfactory, reporting a further improvement on 2009 with a claims to premium ratio of just over 30% and a combined ratio of approx. 65%.

Technical business ceded and reinsurance policy

The premiums ceded in the non-life division amount to Euro 103.9 million compared to Euro 147.7 million in 2009. The percentage on direct premiums decreased from 5.2% to 3.8%.
The reduction is principally due to the modification of the Motor TPL claim excess with the group company The Lawrence Re and in particular the rising of the priority from Euro 1 million to Euro 2.5 million.

The reinsurance structure of the non-life division is based on proportional cover and non-proportional coverage in claim excess.
Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.
For the Bond and Aviation classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.
The net retention of the Technological Risks is protected following an event which jointly concerned the Fire and Land Vehicle classes. Protection by individual risk is only permitted for some specific guarantees.
The non-proportional programmes are also utilised to protect the Fire, Motor TPL, General TPL, Theft and Injury classes.

The reinsurance contracts are with the Irish company The Lawrence Re, indirectly controlled 100% by Fondiaria-Sai, which subsequently transfers the risks underwritten in reinsurance, utilising primary international operators with an adequate rating, in line with ISVAP circular 574/D.
The only exceptions are Aviation coverage, directly placed on the reinsurance market, the Assistance class and the Transport class: for the Assistance class, the protection is guaranteed by Pronto Assistance, while for the Transport classes, in line with the concentration programme of the underwriting with SIAT (the specialised company of the Fondiaria-SAI group), the company continues to reinsure the entire portfolio with SIAT, utilising a proportional coverage.

Indirect business

In relation to indirect business premiums amounted to Euro 30.6 million compared to Euro 9.8 million written in 2009.
The increase relates to the acceptances by group companies of Motor TPL contracts from the current year – particularly by the subsidiaries Systema and Dialogo. The premiums accepted by other companies remain limited (Euro 3.2 million) following the decision taken in the past to terminate the underwriting in the inward reinsurance market.
The account includes the technical data for the year 2010 relating to the optional business and the contracts accepted from companies of the Group and those for the year 2009 for the other business in that the data relating to the year 2010, partially preliminary, was suspended in the transitory accounts of the balance sheet.
The overall technical balance, net of reinsurance, was a loss of Euro 1.6 million (profit of Euro 0.5 million in 2009).

New products issued on the market

Retail Sector

In March, the new **Difesa Più Casa One** (home protection) policy was launched. This new multi-risk product for the home broadens the Difesa Più line of products. Due to its modularity, flexibility and the increased level of guarantees, it provides strong protection and at the same time develops the household portfolio - one of the largest Retail sectors.
From June, the new policy **Difesa Più Alla Guida** was also launched, a product which insures the driver and passengers for injuries resulting from traffic accidents.

In December, the **Assistance Omnia** policy was launched, a stand-alone product available for the General Classes, with the provision of an assistance guarantee, responding in a quicker and more efficient manner to the specific needs of the client.

Corporate Sector

In the second part of the year, due to the need to align contractual provisions with the rules contained in ISVAP Regulation No. 35, the entire catalogue was redesigned, creating new unified products for all of the commercial networks of the company for the most popular policies within the Divisions:

- Fire (**Industrial Risks, Civil and Agricultural Risks, All Risks Property**);
- General TPL (**Industrial Business TPL, Industrial Buildings TPL, Various TPL, Products TPL, Board of Directors TPL, Premises Fire TPL, Loading/Unloading TPL**);
- Other property damage (**Business Theft, All Inclusive Jewellers**);
- Accident.

The completion of the range, with the inclusion of the remaining products, is scheduled for the first half of 2011.

Life Division

The technical account of the Life Division reports a loss of Euro 50.5 million, compared to a profit of Euro 117.9 million in 2009. The loss stems from a significant reduction in investment profits due essentially to the impairments implemented to the division's investments. Based on current regulations, the impairments are entirely absorbed by the company even if relating to investments to cover the technical reserves. The policyholders share of losses concerning the separated management of the Life Division are only recorded if and when these losses become trading losses following the sale on the market of the relative financial assets.
The technical margins of the portfolio are however positive and substantially unchanged on the previous year. Once the instability which currently affects the markets has passed, the Life sector will be well placed to take advantage of the strong potential of a portfolio principally comprising traditional type products which are sufficiently remunerative and engender client loyalty over the long-term.

The **technical reserves** of the direct business at the year-end amounted to Euro 3,844.7 million, of which Euro 5.4 million deriving from the merger by incorporation of the wholly-owned subsidiary Dialogo Vita and remaining substantially in line with the previous year. The technical reserves relating to the "Class C portfolio" (which excludes the contracts with investment risk borne by the policyholders) amount to Euro 3,604.7 million (Euro 3,551.7 million in the previous year) and almost entirely relates to Separate Management contracts.

The returns in the year on the principal Separated Managements of the company are shown in the table below:

	2010	2009
Viva	3.73%	4.03%
Valuta Viva	4.82%	4.25%
Gepre	3.72%	4.03%
Geprecoll	4.24%	4.52%
3 A	3.51%	4.04%
Sasariv	3.78%	4.03%

Individual Insurance

The following commercial initiatives were taken in the period:

- the new OPEN GOLD product was launched, a recurring premium without proportional loading on entry, which has been particularly successful with the distribution networks;
- the restyling took place of the OPEN FREE product - which following the changes now appeals to a wider client base - and of OPEN RISPARMIO with a substantial decrease in the loading;
- the UNIT INVESTIMENTO and UNIT RISPARMIO Unit-Linked products were reviewed following the introduction of the new CONSOB regulations.

Policies have almost in their entirety consisted of Separated Management products, featuring clauses which guarantee the repayment of capital and a minimum return, which are particularly popular with clients in times of uncertain economic conditions. Both single premium - utilised also to strengthen the capital maturing segment - and recurring premium and constant annual premium products - which saw a significant increase in new business - were marketed.

The new business relating to the complementary pension segment, implemented through the Individual Pension Plans, recorded a significant increase on the same period of the previous year.

The term life policy DEDICATA, which differentiates policyholders according to their smoking habits, also recorded a good performance.

Finally, specific commercial initiatives were launched by the Sasa Division to support new single premium business and reinvestment in the capital maturity segment. These initiatives enabled a significant increase in the premiums of the respective segments.

Collective insurance and Pension Funds

The Corporate segment, essentially based on insurance coverage related to the number of employees of a company and their remuneration was inevitably affected by the difficult economic situation and the uncertainties regarding the future.

Despite the unfavourable economic situation, in the complementary pension sector of "pre-existing" pension funds, substantial stability was maintained thanks to the operations carried out to encourage a higher amount of contributions from existing clients and also to acquire new clients.

In relation to the products connected to the employee leaving indemnity, the regulations in force, in addition to the credit and liquidity crisis affecting small-medium size enterprises continue to have a negative impact. Despite this, in the last part of the year, some positive signals emerged which resulted in the maintenance of substantial stability in inflows for the year overall, countering the negative trend established over recent years.

The securitization products, recently expanded with new products (special mixed), continued to show signs of recovery on the previous year, already seen in the preceding quarters.

The risk coverage showed positive signs in relation to distribution thanks to the personalisation of the offer for policyholders under collective contracts. The results overall however did not entirely live up to the potential of the sector.
In light of the strong ratio between claims and premiums historically evidenced in the sector, a tariff repositioning was undertaken during the year (adoption of new historically based tariffs) to enable a broader distribution of these products.

The Milano Assicurazioni Open Pension Fund continues to record a contained number of new subscribers, with a stable trend in contributions from existing subscribers.

Life division reinsurance

The premiums ceded amounted to Euro 10.8 million compared to Euro 11.2 million in the previous year. The reinsurance structure is unchanged, with a proportional coverage in excess and a catastrophic coverage in claims excess provided by the group company The Lawrence Re.

External Organisation

At December 31, 2010, there were 1,678 agencies compared to 1,770 at the end of the previous year. In addition, there are Offices at Milan, Turin, Rome, Padova and Pescara.
During the year, 21 new agencies were created and 113 agencies were dissolved.

The table below shows the Agency distribution and the relative average portfolio:

	2010	2009
Milano		
North	870	890
Centre	400	438
South	408	442
Total Agencies	**1,678**	**1,770**
Average Portfolio (Euro thousands)	1,744	1,652

Acquisition Expenses

The acquisition expenses of gross direct premiums amounted to Euro 515.9 million with a percentage on premiums of 15.7% (15.9% in 2009). The acquisition and collection commissions amounted to Euro 424.8 million, with a margin of 12.9% on premiums written (13.3% in 2009).
The other acquisition expenses amounted to Euro 91 million, compared to Euro 87.8 million in 2009, with a margin on premiums of 2.8% (2.7% in 2009).

Administration expenses

The administration expenses, net of the allocation to the technical and asset accounts, amounted to Euro 95.3 million, an increase of 7% compared to the previous year. The increase is due to higher rental charges following the conferment to the Rho Real Estate Fund in 2009 of buildings to be used by the venture, including the property located in Milan, at Via Senigallia 18/2, the registered office of the company.
The margin on direct premiums written was 2.9% (2.7% in 2009).

Personnel costs

At December 31, 2010 total employees numbered 1,597, as shown in the table below in comparison with December 31, 2009:

	2010	2009
Executives	22	24
Insurance white collar workers	1,571	1,650
Building caretakers	4	3
Total	**1,597**	**1,677**

In the year, 37 new hires were undertaken with 117 departures. Salary expenses amounted to Euro 114.9 million – stable on 2009.
Taking into account the reciprocal recharging between the Companies of the Fondiaria-SAI Group, deriving from the allocation of the general organisational costs, the total personnel cost for the company was Euro 127.2 million (Euro 119.3 million in 2009) and attributed to the following income statement accounts:

(Euro thousands)

Charges relating to claims	43,679
Acquisition Expenses	45,838
Administration expenses	32,128
Investment management charges	1,842
Other charges	3,723
TOTAL	**127,210**

Asset and Financial Management

Global economic growth was relatively strong in 2010 at close to 5%; however it was also the year in which a crisis developed in the Eurozone following the increased Sovereign Risk in a number of peripheral countries based on uncertainties surrounding the sustainability of their public account deficits.
The crucial moment in this regard occurred in the first weekend of May when the three-year plan in favour of Greece was approved, in addition to the creation of the European Stability Fund with a value of Euro 440 billion and with a purchase plan for government securities by the European Central Bank launched.
Within this difficult climate, the economic data from the Old Continent improved over the months thanks principally to renewed economic leadership from Germany, driven not just by exports but also private consumption and investments, assisted by an unemployment rate decreasing to the lowest level for 20 years.
In the United States an expansive monetary policy continued with the decision of the FED to purchase - up to an amount of USD 600 billion - US public debt securities in order to counter any risks of deflation and at the same time further stimulate investment and consumption. In relation to the fiscal policy, the Obama administration made an agreement with Congress in order to maintain also for 2011 the tax cuts established by the previous administration, stimulating therefore further growth for the next year, however increasing fears with regard to the spiralling deficit and public debt.
The emerging countries continued to grow apace to the point that - in particular in the second half of the year - measures were taken to offset the possibility of excessive inflation, including an increase in discount rates and also in the amount of obligatory reserves required and with actions taken to discourage excessive capital inflows.
For 2011 global economic growth is forecast at approx. 4.5%. The slowdown which presumably will affect the emerging countries, also due to the above-stated restrictive measures introduced to stem the risks of excessive inflation, will be largely offset by accelerating US economic growth due to the large unutilised production capacity which does not feed inflationary fears from either a fiscal or monetary viewpoint.
In relation to Europe, 2010 economic data overall topped expectations (growth of 1.7% compared to the consensus at the beginning of the year of approx. 1.2%). This is particularly due to strong German growth which accounts for approx. 25% of Eurozone output.
The forecasts for 2011, although on the one hand affected by restrictive policies which must be adopted in the countries with the more extensive problems in terms of Public Debt, will benefit on the other hand from a monetary policy which presumably will be more “accommodating” (a first increase in official interest rates, all things being equal, is not expected before the third quarter of 2011) and a strong global economic environment which can support European exports. In particular China, with its new five year economic plan, may seek to develop more on the back of internal demand rather than exports, therefore favouring exports in the rest of the world (Europe and the USA) and contributing therefore to a revaluation of the Yuan.
In this overall context, the investment policy, more so than choices regarding duration, will be affected by valuations in relation to Sovereign Risk, an issue which will be closely followed. In relation to returns, the common view is toward rising market rates, which should reach levels more in line with the improving economic context.

Exchange rates will also be closely monitored, considering both a possible change in the timing of the exit strategy, and in particular remaining aware of a first increase in official rates by the monetary authorities and the evolving sentiment towards Sovereign Risk of international investors. It must however be added that most likely - despite declarations to the contrary - a not particularly strong Dollar is viewed in the USA as a stimulus for exports and an instrument to reduce the real value of the US public debt.

Bond sector operations

The bond sector was managed taking account of all of the macroeconomic variables and with particular attention on the sustainability of the Public Debt of the various European countries which during the year was a prime consideration regarding the duration of portfolios.

In the Non-Life sector operations principally regarded Eurozone state government securities, with particular focus on Italian securities. The corporate securities sector was managed with a view to diversification and an increase in profitability.
The significant volatility in the spreads between the core countries and the peripheral countries, with Italy seeing a deterioration in its relative yield, due to the contagion effect rather than any actual concrete events, enabled, particularly in the first half year, a high volume of trading activity - benefitting from the large number of new government bond issues.
At a strategic level, the most significant exposure continues toward Italian Government securities which, although in a volatile environment, have provided good returns. The exposure to Greek, Portuguese and Irish bonds was removed in light of the difficulties in the public finances of these countries.
The Government Variable Rate bond component was maintained substantially unchanged in light of the new Italian variable rate Government Bond issues, whose indexing is no longer linked to the Treasury Bills yield but to the Euribor, favouring in this way an asset class in which interest had been lost internationally.

In the Life sector, activities were principally focused on the containment of Portfolio risks and on the maintenance of a satisfactory current and future profit level, in line with the future general economic outlook.
As part of a prudent management, the exposure to government securities issued by peripheral countries was significantly reduced (those of Greece, Portugal, Ireland and Spain).
In relation to the Corporate securities sector, given the strong performances returned, it was considered appropriate to realise some of the gains matured, reinvesting in new high quality issues.
The duration of the portfolio was maintained substantially stable.
The management activities consistently considered the Asset Liability Management profiles of each portfolio, linking the investment and return objectives of Policyholders with the characteristics of the relative insurance liabilities.

Equity sector operations

In 2010 European businesses benefited from the significant growth in the emerging markets and from the internal macroeconomic context, which outperformed the expectations of economists.
In particular, the combination of rather robust economic growth with a cost structure becoming more streamlined after the actions adopted to combat the recession, has pushed up profit margins toward medium term normalised levels.
The financial sector and in particular the banking sector are undergoing problems however which, although improving, have been affected by fears of the stress tests and the negative impacts from the introduction of Basilea 3, as well as not particularly satisfying interest margins.

Investors have in fact focused on the spiralling of State deficits related to the salvaging of financial institutions and the Keynesian policies implemented by individual governments to combat the recession. Decreased GDP, with consequent impacts on tax revenues, extraordinary social security expenses and the expansive monetary policies have generated significant deficits which have caused markets to review country risks, with significant variations between the States.

Therefore the portfolio allocations have been primarily based on geographic considerations rather than segments. One needs only to consider that within Europe alone, the German stock market reports a very strong 16%, outperforming the Italian index by over 29% (FtseMib40 – 13.2%). The Greek (-35%) and Spanish (-17.5%) indices performed worse.
At an operational level, considering that the stock market from the beginning of the year indicated unsustainable growth, the Group introduced a defensive strategy which however became less curtailed in the month of May when the negative issues which were threatening the market had already been incorporated into stock values. In the following months the asset class was tactically managed, with trading favoured by significant volatility in the indices, therefore enabling positive returns to be achieved.

The strategic portfolio suffered from a negative impact within the financial securities which, as previously outlined, continue to lose ground compared to other sectors and with Italy's country risk in the eyes of investors increasing.

In this context, excluding the assets covering contracts where the investment risk is borne by the policyholders as well as the non-listed shares, following specific policies implemented by the company the bond sector at the year-end represented 78.5% of the total portfolio, with a total duration of 3.94 years.

The Non-Life Division is composed of fixed interest securities of 63.5%, and variable interest securities for 33.9%. The residual component is represented by liquidity and time deposits. The total duration of the Portfolio is 2.26.

The Life Division asset allocation principally focused on fixed rate securities, which account for 83.3% of the portfolio total and a higher duration (5.21) taking account of the maturity of the relative liabilities. At strategic level, preference was given to investments in Government Securities in the Euro Area which represent 76.3% of the portfolio, while the Corporate segment represented 23.7%. The Corporate Securities are, in the majority, belonging to the "Investment Grade" category.

* * *

The composition of the investments at December 31, 2010 compared to the end of the previous year is shown in the table below:

	2010 *Euro thousand*	**%**	**2009** *Euro thousand*	**%**
Land and buildings	711,985	8.0	715,180	7.7
Bonds issued by group companies	89,207	1.0	47,156	0.5
Bonds and other fixed-income securities	5,697,343	64.2	5,734,872	61.7
Shares and holdings in group companies	827,229	9.3	1,061,987	11.4
Equity investments and minority holdings	613,027	6.9	635,631	6.8
Loans to group companies	-	-	12,384	0.1
Loans to policyholders and other loans	27,536	0.3	30,957	0.3
Investment fund units	669,279	7.6	722,344	7.8
Other financial investments	56	0.0	45,128	0.5
Deposits with reinsuring companies	2,487	0.0	2,222	0.0
Total	**8,638,149**	**97.3**	**9,007,861**	**97.0**
Investments where risk is borne by policyholders and those relating to pension fund management	239,949	2.7	283,349	3.0
TOTAL	**8,878,098**	**100.0**	**9,291,210**	**100.0**

The account land and buildings includes for Euro 55.6 million the building located in Milan, Piazza S. Maria Beltrade, 1, acquired following the merger by incorporation into Milano Assicurazioni of the entirely held subsidiary Meridiano Orizzonti s.r.l. in April 2010.

The account *Bonds issued by group companies* includes:

- Profit Participating Bonds for Euro 68.1 million, issued by the associated company Garibaldi S.C.A (Euro 53.8 million) and Isola S.C.A. (Euro 14.3 million).
  Garibaldi S.C.A. is a Luxembourg-registered company involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale don Sturzo, via Melchiorre Gioia and the local railway station. The project concerns the development of approx. 50,000 sq.m. for office use, 5,000 sq.m. for residential use, 10,000 sq.m. for retail use and 20,000 sq.m. for exposition use.
  Isola S.C.A. is a Luxembourg-registered company which through its subsidiaries is involved in the "Porta Nuova Isola" real estate project, promoted and managed by the US group Hines. The area concerned is located in Milan, between Via G. De Castillia and Via F. Confalonieri and involves the development of 29,000 sq. m. divided into: 21,900 sq.m. for residential use, 6,300 sq.m for office use and 800 sq. m for retail use.
  The yield of the bonds, with expiry on December 31, 2020, is based on the profits achieved by the issuing companies in relation to the property projects currently under development;
- Bonds issued by the Group company Banca Sai S.p.A. for Euro 21.1 million.

Investments at December 31, 2010 were recorded net of impairments totalling Euro 433.7 million, as reported in the following table:

(Euro thousands)

Land and buildings	-9,672
Bonds and other fixed-income securities	-92,821
Shares and holdings in group companies	-228,904
Equity investments and minority holdings	-95,813
Investment fund units	-5,783
Other financial investments	-719
TOTAL	**-433,712**

Impairments on land and buildings of Euro 9.5 million relate to the building located in Milan, Via Caldera n. 21. The book value of this building, for hotel use, was reduced from Euro 67.2 million to Euro 57.7 million, considering the value allocated by an independent expert on December 31, 2010.

The residual amount (Euro 0.1 million) relates to the depreciation of the building allocated for company use.
The buildings for use by others are not subject to depreciation, in consideration of their constant maintenance, and therefore their utilisation is not limited over time.

The value adjustments on bonds and other fixed income securities relates to current securities and were made with reference to stock exchange prices recorded on the last trading day of the year.
For the corporate bonds with subordination clauses the adequacy of the stock market value was verified using alternative valuation models, developed internally on the basis of recognisable parameters, taking into account that the relative markets in terms of trading volumes and reliability have not yet returned at the end of 2010 to normal operating conditions.

For the impairments relating to *Shares and holdings in Group Companies*, reference is made to the notes.

Impairments relating to *Equity Investments and Minority Holdings* relate to:

- Current securities for Euro 30.4 million valued with reference to the stock exchange prices recorded on the last trading day of the year.
- Securities recorded as non-current assets for Euro 65.4 million, based on valuations carried out by a specifically appointed independent expert, as described in detail in the notes, to which reference should be made.

The impairments in the account *Other Financial Investments* refer to the write-down to current values of derivative contracts.

The average net yields realised during the year, compared with the previous year is shown in the table below. With regard to the yield on shares, bonds and investment funds, these were calculated including the net profits to be realised on the investments recorded under current assets.

	2010	**2009**
	%	%
Land and buildings	1.8	2.1
Bonds	4.0	4.5
Shares and quotas in mutual investment funds	3.2	3.4
TOTAL	**3.7**	**4.1**

Significant events in the year

Sasa - Liguria

This project, extensively set out in the 2010 Half Year Report, provided in particular for the creation of a single insurance entity, legally separate, which regroups the agency networks which primarily focus on a multi-mandate offer, to be created through the conferment in kind to the subsidiaries Liguria Assicurazioni and Liguria Vita of the business units of Milano Assicurazioni which concern the agency networks distributing the brand products respectively of Sasa and Sasa Vita, with transfer of the relative insurance portfolios and share capital increases for Liguria Assicurazioni and Liguria Vita respectively to service the conferment.
During the year, negotiations were undertaken with the Clessidra Private Equity Fund in relation to the sale of the combined entity to strengthen the capital base. The proposal received from Clessidra was not considered adequate and further evaluations were undertaken to establish if some aspects of the offer could be improved, but with a negative outcome.

Therefore a review of the integration project commenced in order to undertake as an alternative a strengthening of the two entities (Liguria and Liguria Vita on the one hand and the Sasa and Sasa Vita divisions on the other) with a consequent postponement of all strategic decisions to the finalisation of the strengthening process.

With the integration project appearing less attractive, on February 18, 2011, Milano Assicurazioni, Liguria Assicurazioni and Liguria Vita communicated to ISVAP the revocation of the authorisation to transfer the Sasa and Sasa Vita insurance portfolios from Milano Assicurazioni to Liguria Assicurazioni and Liguria Vita.

Liguria Assicurazioni price adjustment

It is recalled preliminarily that the purchase contract of Liguria Assicurazioni S.p.A. by Fondiaria-Sai contained price adjustment procedures on the price paid by Fondiaria-Sai to De Longhi Holding SA (formerly Guala Consultadoria e Investimentos Lda) in May 2006 as follows:

- verification, to be completed after the approval of the 2010 financial statements, of the sufficient strength of the claims reserves of Liguria Assicurazioni as reported in the 2005 financial statements;
- verification of the sufficient strength of the Bond Class premiums reserve based on the transfer balance sheet prepared on May 31, 2006, on the closing of the operation.

Milano Assicurazioni, following the conferment of the holding in Liguria Assicurazioni by FONDIARIA-SAI, sub-entered into all receivable/payable balances generated by this latter with De Longhi Holding.

Fondiaria-Sai, in the final months of the year, verified the possibility of concluding with the De Longhi Holding Group a settlement agreement which would set - in place of that contractually established for 2011 - price adjustment procedures for sums still pending and governed by the sales contract.

Therefore we preliminarily carried out, through the relevant Group technical structures, a simulation of the calculations, concluding with an estimate of a range between Euro 9 million and Euro 11 million for the total net amount which De Longhi Holding would have recognised Fondiaria-Sai on the finalisation of all the outstanding matters in relation to the sales contract and which Fondiaria-Sai would have paid to Milano Assicurazioni based on that reported above.

Considering the substantial similarity between the result of the verification of the sufficient strength of the claims reserves in relation to that originally contracted, of the cost of the expert opinion established by the procedure, of the duration of some bond policies issued by Liguria Assicurazioni during the management of De Longhi, which would have postponed the calculation of the amounts until at least 2016, the parties decided to sign an agreement with consideration of Euro 10 million in settlement of all outstanding matters relating to the sales contract.
The amount was recorded by Milano Assicurazioni as a reduction in the carrying value of the Investment.

SAI Network Project

With prior authorisation by ISVAP on February 9, 2010 the company SAI Network S.p.A. was incorporated with a share capital of Euro 2 million, subscribed and paid-in for 51% by BancaSAI and for 24.5% each by Fondiaria-Sai and Milano Assicurazioni.
This company, with prior transformation into a Bank, was nominated as the vehicle company for the implementation of a project created to improve the interaction between the insurance and banking channels of the Fondiaria-Sai Group, establishing for agents another bank to develop together a project which provided for, among other matters, the entry of the agents into the share capital of the future bank.

Following the review process of the Group strategies, the interest in this project no longer exists. SAI Network S.p.A. therefore withdrew its application for authorisation for conversion into a bank presented to the Bank of Italy.

Conferment to the Rho Fund

On February 11, 2010 the request by the Rho Property Fund for the ownership rights of the property located in Trieste, Riva Tommaso Gulli was approved through Decree No. 1670/2010 and on March 4, 2010 was recorded in the land register.
On March 22, 2010 therefore the deed recognising fulfilment of the mandatory conditions for contribution to the Rho Property Fund of the above stated property was signed, following which Milano Assicurazioni subscribed to 195 units of the Fund, for a total value of Euro 4,875 thousand, corresponding to the value of the building transferred (Euro 10,170 thousand), net of the financial debt (Euro 5,339 thousand) and taking account of the cash amount paid to the fund (Euro 44 thousand).
The operation completes that resolved by the Boards of Directors of Fondiaria-Sai and of Milano Assicurazioni in October 2009 concerning the optimisation of the real estate portfolio of the companies through conferment to the Rho Fund of some important properties. For further and more detailed information on this operation, reference should therefore be made to that reported in the 2009 financial statements.

Merger by incorporation of wholly owned companies

On April 19, 2010, the merger by incorporation of Meridiano Orizzonti into Milano Assicurazioni was signed. The legal effects of the merger are as of April 19, 2010 with accounting and fiscal effects back-dated to January 1.
The merger was approved by the Shareholders' Meeting of Meridiano Orizzonti on October 13, 2009 within the rationalisation and reorganisation of the Fondiaria-Sai Group.

With effect from December 29, 2010, the merger by incorporation took place of the company Dialogo Vita Compagnia di Assicurazioni S.p.A. into Milano Assicurazioni. The accounting and tax effects of the merger were back-dated to January 1, 2010. The merger was undertaken taking account of the limited operations carried out by the subsidiary and the limited expectations for the short-term period.

Sale of the investment held in the company Bipiemme Vita

Having received the relevant authorisations, on June 17 Milano Assicurazioni transferred to Banco Popolare di Milano the entire holding in Bipiemme Vita S.p.A. comprising 51% of the share capital for a consideration of Euro 122.1 million, deducting – as agreed – the dividend paid in the intervening period by Milano Assicurazioni of Euro 8.67 million. The sale substantially had a neutral impact on the income statement in the year.

The agreement also provides for an earn-out linked to the achievement of thresholds in favour of Milano Assicurazioni in the case in which Banca Popolare di Milano sells the majority shareholding in BIPIEMME VITA S.p.A. to third parties in the 12 months following the sale, as well as the maintaining by BPM of the current financial management services provided to the Fondiaria-SAI Group.
Currently, the conditions required for the above-stated earn out are not in place and consequently there was no effect on the income statement.

Subsequent events to the year end

In January, the Board of Directors approved the 2011 budget based on the following guidelines of the company and of the Fondiaria-SAI Group, established in December 2010:

- Recovery of solvency, also through the disposal of non-strategic assets;
- Non-Life Division: higher profitability both in the motor classes and in the other classes;
- Life Division:
  - re-balancing of the portfolio in favour of higher margin products;
  - launch of new low interest rate risk products;
  - increasing the value of bancassurance agreements in place;
- Finance sector:
  - maintenance of a low risk level;
  - recovery of profitability through the rebalance of the strategic asset allocation;
  - reduction of volatility relating to the Solvency Ratio;
- Real Estate sector:
  - continuation of the property initiatives in progress;
  - divestment of the investment in CityLife, without beginning any new projects;
  - sale of assets with unrealised gains, to rebalance exposure to the property sector;
- Diversified Sector:
  - prudent management to maximise profitability;
  - sale of non-core assets.

The 2011 Budget, in addition to the guidelines reported above, places particular attention on the control of overhead costs, taking account on the one hand of the altered conditions to those considered for the 2009-2011 industrial plan of the Fondiaria-SAI Group, and on the other, the recent initiatives taken to improve industrial profitability, however within a still volatile economic environment.
In particular, the expected effects include a significant improvement in the Combined Ratio of the Non-Life Division, a satisfying result for the Life Segment and consequently a return to net profit.

Outlook

The initiatives to be taken in the coming months reflect the new Fondiaria-Sai group strategy, recently set out and communicated to the market by the new Chief Executive Officer. In general, the intervention areas focus on:

- improvement of the solvency ratios
- recovery of insurance business profit levels
- real estate operations
- restructuring of the diversified activities
- containment of operating costs

In particular, the focus in the Motor TPL class will centre on an increase in the average policy premium following the tariff changes introduced and a reduction in the flexibility of the agency networks. Settlement times will remain substantially stable, while a reduction in the frequency is expected due both to the initiatives taken to counter fraud and the actions implemented in relation to agencies with particularly poor technical performances.

In the other non-life classes particular attention will be focused on market positioning, with development policies focused on the municipalities and provinces which report satisfying technical performances. The tariff policy will follow the correct technical parameters and emphasis will be placed on modular products which allow their possibility to supplement additional guarantees on top of the basic product. This will allow us to serve the needs of the client better, and at the same time be more in tune with the spending capacity of clients who have been significantly impacted by the recent economic crisis, therefore introducing greater segmentation than previously.
The underwriting policy will focus on the retail client and on the small to medium-size business sector while particular prudency will be exercised in relation to the larger risk and public body sector, which has reported poor performances.

In the life classes greater focus will be placed on the level of service and the assistance of clients in choosing products which best fit their insurance and pension needs.
Investment management will focus more on the containment of volatility rather than on a aggressive profit-driven approach, with consequent benefits for the solvency ratios and greater stability in the separated management income.
In the real estate sector, the focus will centre on improving ordinary income from real estate, while also remaining alert to opportunities that may arise.

Finally, particular attention will be placed on the containment of operating costs through a more stringent resource allocation plan, the elimination of non essential services, the re-launch of leaving incentives for those who have fulfilled their pensionable requirements.

Corporate governance and shareholder structure report

Annual corporate Governance Report

First section – The governance structure of the company: general guidelines

1) Introduction

Information is provided below on the governance structure of the Company and on the implementations of the principles and recommendations contained in the Self-Governance Code of listed companies, prepared by the Committee for corporate governance issued by Borsa Italiana S.p.A. and subjected to successive revision by the Committee (hereafter: the "Code").

The Company commenced, from the year 2006, a progressive updating to the recommendations contained in the new code for the parts not already in line with company practices and concerned, in each case, the operations of the business.

The present report provides information in relation to the compliance of the corporate governance of the Company with the recommendations of the new Code, describing the actions already implemented in 2006 and at the date of the present report and those programmed to apply these recommendations. In the case of non-compliance with the recommendations of the Code, these are clarified and justified.

2) The Corporate Boards

2.1) Board of Directors and Executive Committee

The Board of Directors is responsible for operational activities and the organisational and strategic direction of the Company and the Group, in conjunction with the parent company Fondiaria-SAI, as well as the verification of the existence of the necessary controls to monitor the performance of the Company.
The directors may not be appointed for a period above three years and may be re-elected.

In compliance with the regulation introduced by law no. 262 of December 28, 2005 (hereafter: "Savings Law"), the extraordinary shareholders' meeting of April 24, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the nomination of the Board of Directors, in order that one Director may be elected by the minority shareholders.

In accordance with article 147 of Legislative Decree No. 58/98 (hereafter "Consolidated Finance Act"), as introduced by the Savings Law and in relation to the provisions of the honourability of the directors, these latter must have the requisites required for the holding of office by the special regulations applicable to insurance companies (D.M. 186/1997).

The Board of Directors delegated to an Executive Committee their powers with the exclusion of those expressly reserved to the Board and those which according to law may not be delegated.

In accordance with article 13 of the Company By-Laws, the Company, with the exception of those reserved by law or the company by-laws to the shareholder or board meetings, may delegate their powers to the Chairman, Vice Chairman and/or to one or more of its members, determining the content, the limits and any manner for the exercise of the delegated powers.
In accordance with these statutory provisions, the Board attributed special powers to the Chairman, who also fulfils the office of Chief Executive Officer.
The functions, powers and responsibilities of the Board of Directors, of the Executive Committee and of the Chairman-Chief Executive Officer are described in the second section of the present report.

2.2) Board of Statutory Auditors

The Board of Statutory Auditors undertakes its duties in accordance with Legislative Decree 58/98.

The Statutory Auditors remain in office for three years. The procedure for their appointment, in accordance with law and the by-laws, stipulates that a statutory auditor and an alternate auditor are elected by the minority shareholders and that the Chairman of the Board of Statutory Auditors is deemed as the standing member elected by the minority shareholders.

While awaiting approval of the regulation contained in article 148, paragraph 4 of the Consolidated Finance Act, the requisites of honourability and professionalism of the statutory auditors is established by Ministerial Decree No. 162/2000, in application of Legislative Decree No. 58/98 and the company by-laws.

Consob has established regulatory limits on the accumulation of offices of director or statutory auditor for board members of listed companies.

2.3) Shareholder Meetings and shareholders

The Shareholders' Meeting is held at least once a year for the approval of the annual accounts and to pass resolutions on all matters put before them by the Board of Directors and in accordance with law.

The share capital, composed of ordinary and saving shares with rights as per the company by-laws, is controlled by Fondiaria-SAI S.p.A. pursuant to article 2359, paragraphs 1 and 1 of the civil code.

Milano Assicurazioni is not aware of shareholder agreements relating to holdings in the share capital of the Company.

3) Management and control

The Company is subject to management and coordination by Fondiaria-SAI pursuant to Article 2497 and subsequent of the Civil Code.

The Company is subject to rules of conduct created by Fondiaria-SAI for the subsidiary companies, in order to ensure compliance with the management and coordination of the Group companies, as well as to guarantee the transparency obligations and those for reporting to the market required by listed issuers are complied with. These conduct rules provide, among others, specific resolutions of the Board of Directors and of the Executive Committee of Fondiaria-SAI on some operations relating to the Company, considered significant based on the nature of the operation or the amount.

Second section - Information on the implementation of the self-governance code

The organisational structures adopted and, where different than those recommended by the Code, the reasons for the choices made, are outlined below.

1) Board of Directors and Executive Committee

1.1) Role of the Board of Directors

The Board of Directors, in addition to exercising powers and complying with the requirements of the civil code, undertakes exclusively, in accordance with law or regulations and/or business practice, the following functions:

a) Examines and approves the strategic, industrial and financial plans of the Company and of its subsidiaries, within the Fondiaria-SAI Group and, in particular, subject to the management and coordination by Fondiaria-SAI and, therefore, within the strategic guidelines provided by the parent company. Examines and approves, in addition, the corporate governance system of the Company and the Group structure. In this remit and in relation to the other boards of the individual subsidiaries, the Board of Directors determines, on the proposal of the Chief Executive Officer, the industrial strategies of the Company and its subsidiaries;

b) Periodically verify the adequacy of the internal control system, assisted by the Internal Control Committee;

c) Evaluates, based on the information and reports received from the executive functions, the adequacy of the organisational, administration and accounting system of the Company and of the Group which it heads, with particular reference to the internal control system and to the management of the conflict of interests, as well as the general operational performance. Approves the company organisational structure;

d) Attributes and revokes powers to the directors and to the Executive Committee, defining their limits and procedures for the exercise of these powers;

e) Determines, after examining the proposals of the Remuneration Committee of FONDIARIA-SAI and after having consulted the Board of Statutory Auditors, the fees of the executive directors and those who hold specific positions, as well as dividing the total fees to which the directors are entitled among the individual members of the board;

f) Examines and approves the operations of the Company and its subsidiaries, when these operations have a significant strategic, economic, or financial importance for the Company, with particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties and, in general, in the transactions with related parties.

In consideration of the fact that the Company is subject to the management and coordination of Fondiaria-SAI, the directors take into account the directives and policies defined for the Group by the parent company Fondiaria-SAI as well as the benefits deriving from belonging to the Group.

The Board also defines the guidelines of the internal control system, in order that the principal risks are correctly identified, as well as adequately measured, managed and monitored.

The Board of Directors is responsible for the internal control system of the Company, defines the directives and periodically verifies the adequacy and effective functioning and is assisted by the Internal Control Committee as per point 3.3 below.

The Chairman-Chief Executive Officer has the responsibility to overview the functioning of the internal control system, identifying the business risks and undertaking the design, management and monitoring of the internal control system, through which he appoints the manager of the Audit department of the Group, covered at point 3.2.4 below.

The Board of Directors annually approves the work plan of the Group Audit function relating to Milano Assicurazioni.

ISVAP, latterly through Regulation No. 20 of March 26, 2008, issued provisions which reserve the central strategic role of the Board of Directors in relation to the definition of the organisational structure, of the decisional processes, of the allocation of powers and employment policies and the management of the risks, in accordance with the provisions deriving from the Savings Law and from the Self-Governance Code of listed companies.

1.2) Composition of the Board of Directors

The composition of the Board of Directors – unchanged from December 31, 2010 except for the resignation from office of the Chairman-Chief Executive Officer, as commented upon previously, currently comprises 17 members – as indicated in a separate section of the present report. The current mandate expires with the shareholders' meeting for the approval of the annual accounts for the year 2010.

The appointment of the directors was deliberated at the Shareholders' AGM of April 21, 2008 on the proposal of the only slate by the majority shareholder.

We recall that the Shareholders' Meeting appointed Salvatore Ligresti Honorary Chairman of the Company, inviting him to attend all the meetings of the Board and of the Executive Committee.

As recommended in the Code, the Board of Directors evaluated the size, composition and the functioning of the Board and of its committees and also that all the necessary and appropriate professional figures are present on the board.

1.3) Executive Committee

In accordance with article 18 of the company by-laws, the Board of Directors delegated to an Executive Committee its powers, with the exclusion of those conferred to the Chairman-Chief Executive Officer or which by law or regulation may not be delegated, and also those concerning all decisions in relation to significant operations with related parties, which are the exclusive remit of the Board. The Board of Statutory Auditors are called to attend Executive Committee meetings.

Subject to the exclusive duties of the Board as described above, there are no attribution of exclusive duties to the Executive Committee in relation to specific types of operations or spending limits.

The resolutions of the Executive Committee are reported to the Board at the following BoD meeting, together with updated information on the operations approved.

As indicated elsewhere in the current accounts, the Executive Committee is currently composed of 8 members, amongst which are the Chairman-Chief Executive Officer and 5 non-executive directors. The current composition is unchanged on December 31, 2010, except for the resignation from office of the Chairman-Chief Executive Officer, as commented upon previously.

1.4) Representative of the Company and delegation of powers by Board of Directors

The Chairman, Vice Chairmen and the Chief Executive Officer represent the Company against third parties and in legal matters.

The delegated management powers of the Chairman, the Vice Chairmen and the Chief Executive Officer, pursuant to article 13 of the By-Laws, are attributed by the Board.

Currently, the Chairman covers the office of Chief Executive Officer. The Board of Directors has delegated to the Chairman-Chief Executive Officer all of the ordinary and extraordinary powers, to be exercised with single signature and with the possibility to confer mandates and legal attorneys, with the exclusive exception of the following powers:

- sale and/or purchase of property above the value of Euro 10 million for each operation;
- sale and/or purchase of investments above the value of Euro 25 million for each operation and, in any case, of controlling interests;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties.

The parties delegated are directly responsible for the deeds undertaken in the exercise of the powers; the entire Board of Directors has a greater supervision power of the direction and control of the overall activities of the enterprise in its various components, ensuring that each director is updated and operates in an informed manner.

The parties delegated report to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the powers attributed to them.

In each case, the Board receives from the Executive Committee and from the executive directors, on the occasion of the individual meetings, exhaustive information on the most important operations, for their size and nature, made by the Company and its subsidiaries. These delegated bodies report, also in accordance with article 2381 of the civil code, on the general operating performance and on the outlook. The same information is provided, in the Board meetings, also to the Board of Statutory Auditors, pursuant to article 150 of the Consolidated Finance Act with regard to operations in which the directors have an interest or which are influenced by a party who exercises direction and control.

The delegated boards (executive directors and Executive Committee) provide adequate information to the Board of Directors and to the statutory auditors, in the Board meetings, in relation to extraordinary or related party transactions whose examination and approval are not reserved to the Board of Directors.

1.5) Chairman of the Board of Directors

The Chairman of the Board of Directors convenes and co-ordinates the meetings of the Board and the Executive Committee. The Chairman ensures that the directors and the members of the Committee are provided with, before each meeting, the documentation and the information necessary, except in the cases of necessity and urgency with reference to the nature of the deliberations to be taken, in line with the degree of confidentiality and the timing with which the Board or Executive Committee must assume these decisions. The Chairman, with the agreement of the participants, may invite participation at the meetings of the Board and the Executive Committee - as attendees and/or with consultant duties – of external parties to these meetings. The Chairman of the Board of Directors, in addition, presides over and

organises the Shareholders' Meeting. He is also attributed - as described - powers by the Board, as previously indicated, currently that of the office of Chairman and Chief Executive Officer.

However, it was not considered necessary to appoint a lead independent director, as the Company is subject to the management and coordination of Fondiaria-SAI and, in this context, the Chief Executive Officer of Fondiaria-SAI also covers the role of Chairman and Chief Executive Officer in the subsidiary Milano. The separation of roles is guaranteed however within Fondiaria-SAI.

1.6) Meetings of the Board of Directors and Executive Committee

The Board of Directors meet regularly.

The Executive Committee meets whenever it is necessary to undertake an executive resolution on one or more matters in cases of necessity or urgency with respect to the time necessary to call the entire Board of Directors. By its nature, the Executive Committee does not meet regularly whereby its members are involved in the ordinary management of the Company.

During the year 2010:
- the Board of Directors met 14 times, with an average duration of the meeting of approx. one hour and 30 minutes;
- the Executive Committee met once.

It is expected that a similar number of meetings of the Board of Directors will take place in 2011. At the date of the present report, 3 Board of Directors meetings had been held in 2011 and no Executive Committee meetings had been held.

1.7) Non-executive and independent directors

In addition to the Chairman-Chief Executive Officer - holder, as reported, of delegated powers for the management of the Company attributed to him by the Board - the Executive Director Antonio Talarico is also to be considered as holder of operational powers and directional functions in the group company Immobiliare Lombarda S.p.A., responsible for the management of the real estate assets of the Company and of the Group. The same applies to the Vice Chairman Gioacchino Paolo Ligresti, who covers the role of Chairman, with managerial powers, of Immobiliare Lombarda.

All the directors other than those indicated above are to be considered non-executive, in that they do not hold operational and/or functional directional powers in the operations. In addition to their number, the non-executive directors are for their expertise and authority such as to guarantee that their judgement can have a significant weight on the Board decisions, contributing their specific competences to the making of decisions that conform to corporate interests. The contribution of the non-executive directors is particularly useful on matters in which the interests of the executive directors and those more generally of the shareholders do not coincide. In fact, the non-executive component of the Board may evaluate with greater detachment the proposals and operations of the directors with executive powers.

In accordance with the definitions contained in the new Code, the non-executive independent directors are: Mr. Umberto Bocchino, Mr. Flavio Dezzani, Mr. Maurizio Di Maio, Mr. Mariano Frey, Mr. Francesco Randazzo, Mr. Cosimo Rucellai and Mr. Simone Tabacci. These directors are not considered to fulfil any of the conditions set out in the Code which preclude a director from being considered independent. The Board considers that Mr. Rucellai, who has held the office of director of the Company-already in the previous year- for more than nine of last 12 years, can continue to be considered as independent in consideration of the fact that until 2002 the Company was part of another Group and in any case takes into consideration the independence of judgment which has always been a feature of Mr. Rucellai's conduct.

The number of the independent directors is such as to balance the number of other directors on the Board.

The Board of Directors, most recently in February 2011, verified the independence of the non-executive directors with reference to the indications provided in writing, on specific request of the Company, of each director on the basis of the parameters indicated in the application criteria contained in the new Code. The Board also examined the individual positions of those directors that, due to uncertainty on their qualification or otherwise as independent, had requested the valuation to be made by the Board. Particular attention is paid to the criteria utilised to evaluate the significance of the professional relationships undertaken by some directors with the Company and with the Group, considering for these purposes the qualitative criteria (relevance of the professional relationship under the office held) and also quantitative criteria, with reference to the amount of remuneration both in absolute and relative terms relating to the interested parties.

The Board made similar verifications with reference to independence pursuant to article 147-ter of the Consolidated Finance Act.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members.

Currently there are no formal meetings of the independent directors in the absence of the other directors, nor has a lead independent director been appointed for the reasons outlined above. Exchange of opinions and observations agreed between the independent directors are, where necessary, brought to the attention of the Board of Directors on discussions relating to significant operations of an extraordinary nature. It is considered that the periodic process of self-evaluation of the Board of Directors does not normally require meetings of only independent directors, as each director has the possibility to freely express their opinion on the functioning of the Board, discussing the outcomes in a meeting of the Board.

On the periodic verification of independence, the directors were also required to provide information on any activity exercised in competition with the Company. The Shareholders' Meeting did not authorise any general or specific competitor agreements as per article 2390 of the civil code.

In general, the directors accept the office when they believe they can dedicate the necessary time to a diligent undertaking of their duties, also taking into consideration other offices held in other companies. The directors must be aware of the tasks and responsibilities relating to their appointment. They act and deliberate in a knowledgeable and independent manner pursuing the creation of value for the shareholders. The Chairman-Chief Executive Officer ensures that the Board is also informed on the principal new legislation and regulations relating to the Company and corporate bodies.

1.8) Appointments of the directors in other companies

Pursuant to the Code, the list of the positions of director or statutory auditor held at March 25, 2010 by the Company's directors in other listed companies in Italy and abroad, in financial, banking and insurance companies, and in other large companies is shown below:

Emanuele ERBETTA:

Chairman of:	Banca SAI S.p.A. Eurosai S.r.l. Gruppo Fondiaria-SAI Servizi S.c.r.l.
Vice Chairman of:	Sistemi Sanitari S.c.r.l.
Chief Executive Officer of:	Fondiaria-SAI S.p.A.

Director of:	Atahotels S.p.A. Auto Presto & Bene S.r.l. Consorzio Servizi Logistici S.c.r.l. Consorzio Servizi Tecnologici S.c.r.l. Popolare Vita S.p.A. Fondiaria-SAI Servizi Tecnologici S.r.l. Liguria Assicurazioni S.p.A.

Gioacchino Paolo LIGRESTI:

Chairman of:	Immobiliare Lombarda S.p.A. SRP Services S.A. Saint George Capital Management S.A. STAR Management S.r.l.
Vice Chairman of:	Artnetworth S.r.l. Atahotels S.p.A. Banca SAI S.p.A. Marina di Loano S.p.A. Premafin Finanziaria S.p.A. SAI Investimenti SGR S.p.A. Saiagricola S.p.A.
Director of:	Finsai International S.A. Fondiaria-SAI S.p.A. Gilli S.r.l. Milan A.C. SAI Holding Italia S.p.A. Sailux S.A. Sainternational S.A. Sainternational Lugano Branch S.A.

Cosimo RUCELLAI:

Director of:	Fondiaria-SAI S.p.A. Esselunga S.p.A. Supermarkets Italiani S.p.A.

Umberto BOCCHINO:

Chairman of:	Gas Energia S.p.A.
Director of:	Banca SAI S.p.A. SAI Investimenti SGR S.p.A.
Statutory Auditor:	Acquedotto Monferrato S.p.A. Acquedotto di Savona S.p.A. Genova Reti Gas S.r.l. AEM T.D. S.p.A. Beni di Batasiolo S.p.A.

Barbara DE MARCHI

Director of:	SIAT S.p.A. Sopabroker S.p.A.

Flavio DEZZANI:

Vice Chairman of:	Banca del Piemonte S.p.A.
Director of:	Finconfienza S.p.A.
Chairman Board of Statutory Auditors of:	ACI Assicura S.r.l. ACI Immagine S.r.l. Air Liquide Italia S.p.A. Air Liquide Italia Produzione S.r.l. Banca Popolare di Lodi S.p.A. EDIT DATA S.r.l. Release S.p.A.
Statutory Auditor:	ACI Automobile Club Torino ARCA S.G.R. S.p.A. CAP S.p.A. Factorit S.p.A. ITW Italy Holding S.r.l. San Pellegrino S.p.A. Tamigi S.p.A. Università di Torino

Maurizio DI MAIO:

Chief Executive Officer of:	Banca Popolare di Lodi S.p.A.
Chairman of:	Agos S.p.A.
Director of:	Banco Popolare Soc. Coop.

Mariano FREY:

Chairman of:	Roland Berger Strategy Consultants S.r.l.
Director of:	Roland Berger Strategy Consultants Lisbona CIDI S.p.A., Milan
Sole Director of:	Berger Frey Advisor

Giulia Maria LIGRESTI:

Chairman and Chief Executive Officer of:	Premafin Finanziaria S.p.A.
Chairman of:	Gilli S.r.l. Saifin Saifinanziaria S.p.A.
Vice Chairman of:	Fondiaria-SAI S.p.A.
Chief Executive Officer of:	SAI Holding Italia S.p.A.
Director of:	Finadin S.p.A. Finanziaria di Investimenti Pirelli & C. S.p.A. Sailux S.A. Sainternational S.A.

Jonella LIGRESTI:

Chairman of:	Fondiaria-SAI S.p.A. SAI Holding Italia S.p.A.
Vice Chairman of:	Gilli S.r.l. Premafin Finanziaria S.p.A

Director of:	Assonime Associazione fra le società italiane per azioni Finadin S.p.A. Finanziaria di Investimenti Italmobiliare S.p.A. Mediobanca S.p.A. RCS MediaGroup S.p.A.

Fausto MARCHIONNI:

Chairman and Chief Executive Officer of:	Siat S.p.A.
Chairman of:	Atahotels S.p.A. Auto Presto & Bene S.r.l. BIM Vita S.p.A. Pronto Assistance Servizi S.c.r.l. Sistemi Sanitari S.c.r.l. The Lawrence Re Ireland Ltd
Director of:	Alitalia S.p.A. Fondiaria-SAI S.p.A. ANIA (indennizzo diretto R.C.Auto) Assonime Associazione fra le società italiane per azioni DDOR-Novi Sad IRSA Hines Italia SGR S.p.A.
Management Board member of:	Sindacato di Blocco Azioni Pirelli & C. S.p.A.

Massimo PINI:

Chairman of:	Shareholder Agreement - GEMINA S.p.A.
Vice Chairman of:	Fondiaria-SAI S.p.A. Immobiliare Lombarda S.p.A. ADR S.p.A.
Director of:	Finadin S.p.A. Finanziaria di Investimenti
Management Board member of:	Shareholder agreement - RCS

Franceso RANDAZZO:

Director of:	A2A S.p.A.

Salvatore RUBINO:

Chairman of:	Immobiliare Costruzioni IM.CO. S.p.A. Sai Mercati Mobiliari SIM S.p.A.
Vice Chairman of:	Saifin Saifinanziaria S.p.A.
Sole Director of:	Raggruppamento Finanziario S.p.A.
Director of:	SAI Investimenti SGR S.p.A.

Simone TABACCI:

Director of:	Alerion Energie Rinnovabili S.r.l.

Alessandra TALARICO:

Director of:	Italresidence S.r.l. Liguria Assicurazioni S.p.A. SIAT S.p.A. Sopabroker S.p.A

Antonio TALARICO:

Chairman of:	Finadin S.p.A. Finanziaria di Investimenti Marina di Loano S.p.A. Saiagricola S.p.A.
Vice Chairman of:	Fondiaria-SAI S.p.A. Impregilo S.p.A.
Chief Executive Officer of:	Immobiliare Lombarda S.p.A.
Director of:	Atahotels S.p.A. IGLI S.p.A. SAI Investimenti SGR S.p.A.

The Board did not express its opinion on the maximum number of offices of director or statutory auditor held in other listed companies, including abroad, in financial, banking and insurance companies or of a significant size which can be considered compatible with a current undertaking of the office of director of the Company. The Board also considered it preferable to make a specific valuation case by case, on the approval of the present report.

On the outcome of this valuation, the Board considers that the number of offices held by directors and/or statutory auditors held by the Directors in other companies is compatible with an efficient undertaking of the position in the Board of Directors of Milano Assicurazioni, taking into account the nature and the size of the companies in which the offices are held and, in any case, of the companies belonging to the Group. The Board reserves the right to consider, where necessary, the position taken, also in order to provide an indication to the shareholders before the expiry of their mandate in order that they may have an additional element of valuation in the selection of the candidates for the office of director.

1.9) Appointment of the directors

In 2010, the company continued with the approach not to create within the Board a specific nomination committee for the appointment of directors, in consideration of the fact that the ownership of the Company is concentrated and therefore there have never been any difficulties by the shareholders to prepare such nomination proposals for the selection of the candidates.

On the occasion of the appointment of the directors, the shareholders that wish to propose nominations must file the proposal at the registered office of the company before the shareholders' meeting together with the curriculum vitae of each candidate.

At the shareholders' meeting of April 21, 2008 a single slate was proposed by the shareholders before the shareholders' meeting, together with the curriculum vitae of the candidates and distributed to the participants. The candidature is accompanied by a declaration by the relevant party in relation to holding the necessary requisites in accordance with law and the by-laws, as well as the independence of the party. The participants were informed of this before voting at the shareholders' meeting.

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 24, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. In line with the regulatory amendments introduced by Legs. Decree No. 27 of January 27, 2010 the new statutory provisions provide for a period of 25 days before the date fixed for the shareholders' meeting in first call for the filing of the slate at the registered office.

The by-laws also provide that, together with the slate, the declarations in which the individual candidates accept their candidature must be filed at the registered office and the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 147-ter of the Consolidated Finance Act should also be indicated.

They may present slates, alone or together with others, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, alternatively, by Law or by Consob. At the shareholders' meeting of April 21, 2008 which appointed the last Board of Directors, Consob established at 2% of the ordinary share capital the share capital requirements for the presentation of slates.

The directors are elected among the candidates of the slates which are first and second by number of votes, as indicated below:

i) From the slate that obtains the largest number of votes, all of the candidates are elected except the last candidate nominated by progressive number;
ii) From the slate that obtains the second largest number of votes, the first candidate by progressive number on the slate is elected, provided that this slate has obtained a percentage of votes at least equal to half of those requested by the by-laws for the presentation of the slate and providing that this slate is not linked in any manner, even indirectly, with the shareholders who presented or voted upon the slate obtaining the highest number of votes. Where this latter condition is not complied with, account is taken of the slate with the third highest number of votes, provided both of the above-mentioned conditions are complied with, and so forth. Where both the conditions are not complied with reference to all slates other than the first slate by number of votes, all the candidates are elected from this latter.

Each slate must contain and expressly indicate at least two persons that are independent pursuant to the requirements for independence of statutory auditors as per article 148, paragraph 3 of Legislative Decree 58/1998, as supplemented. Where only two candidates meet these requisites, these candidates may not be assigned from the last two progressive numbers of each slate.

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

1.10) Director remuneration

The Board of Directors have not constituted a specific internal committee for the remuneration of directors who are attributed specific offices. This Committee was however set up within the Board of Directors of the parent company Fondiaria-SAI and carries out the following functions, with regard also to the subsidiary companies and therefore among these Milano Assicurazioni:

- Presents to the Board proposals for the remuneration of the executive directors and directors holding specific offices, including based on the results of the Company and/or specific objectives, monitoring the application of the decisions made by the Board;
- Periodically evaluates the criteria adopted for the remuneration of the executives with strategic responsibilities, supervises their application on the basis of the information provided by the Chief Executive Officer of Fondiaria-SAI and formulates general recommendations on the matter to the Board;
- Supervises the realisation of the stock option plans, also proposing to the Board, where necessary, modifications to the plan regulations.

The remuneration of directors is decided pursuant to article 2389 of the civil code, with the favourable opinion of the Board of Statutory Auditors and with the abstention of the parties concerned.

The Board has always determined, upon appointment, the compensation of the directors that are attributed specific offices. The remuneration was determined in fixed measure, without an incentive component, in relation to the undertaking of the ordinary activities related to the office.

In 2010, no bonuses were paid to directors as remuneration in relation to activities carried out.

The remuneration paid to the directors in 2010 is reported in a schedule in the Notes to the financial statements.

No agreements are in place between the Company and the Directors which provide indemnity in the case of resignation or dismissal or revocation of office for good cause or termination of employment following a public purchase offer. Furthermore, no agreements are in place which provide for the allocation or maintenance of non-monetary benefits in favour of those who have left the company, nor consultancy contracts for periods subsequent to employment, nor for the payment of sums under non-competition commitments.

1.11) Stock options plans

On July 14, 2006, the Board of Directors of the parent company Fondiaria-SAI approved the assignment of options of the Fondiaria-SAI 2006-2011 stock option plan for executive directors and management of Fondiaria-SAI, of its subsidiaries, among which Milano Assicurazioni, as well as the holding company Premafin Finanziaria, for the purchase of Fondiaria-SAI saving shares.

The assignment by the Board of Fondiaria-SAI was made in executive of the extraordinary shareholders' meeting resolution of Fondiaria-SAI of April 28, 2006. In relation to the management, the options were therefore assigned also to executives of Milano Assicurazioni, in addition to executives of Fondiaria-SAI which undertake their functions within the centralised structure of the Group, therefore exercising their activities also on behalf of the Company. The number of the options assigned to the individual beneficiaries takes into account the level of responsibility attributed and of the impact of the office held in the activities of the business and toward its results.

The deadline established by the above stated shareholders' meeting of Fondiaria-SAI for execution of the resolution by the Board of Directors of Fondiaria-SAI is established for April 28, 2011.

With regard to the executive directors, it was intended to create, in principle, also in relation to Milano Assicurazioni, an adequate remuneration structure, which facilitates their interests along with the creation of value for the shareholders over the medium-long term period, through the achievement of the Industrial Plan of the Fondiaria-SAI Group. In this manner, it was also considered necessary to comply with the recommendations contained in the Code in relation to linking a part of the remuneration of the executive directors to the financial results of the Company and of the Group.

In addition, the utilisation of the instrument in question also in favour of senior management contributes – in principle - to providing incentive and loyalty and creating the appropriate conditions for the achievement of the objectives of the Plan.

1.12) Significant transactions, and with related parties

The Board of Directors approved specific conduct principles for the undertaking of significant operations and of operations with related parties. In defining these principles, the Board availed, as recommended by the Code, of the support of the Internal Control Committee. This latter, in the undertaking of its consultative functions, was also appointed to undertake a preliminary examination of the operations with related parties - which in accordance with these principles were subject to examination and approval by the Board of Directors or by the Executive Committee.

In line with the conduct principles in question, the guidelines were drawn up (and approved by the Board of Directors) in accordance with ISVAP regulation No. 25 of May 26, 2008, which introduced significant new provisions on the supervision of inter-group operations, including those – in particular – with related parties.

Significant operations

In the attribution to the Chairman-Chief Executive Officer of specific powers described previously with the identification of the value limits, the Board of Directors of Milano Assicurazioni indicated the criteria in order to identify the significant operations, which must be subjected to examination and authorisation by the Board of Directors or by the Executive Committee.

Transactions with related parties (including inter-group transactions)

The following is reported in relation to 2010:

a) The inter-group or related party transactions, including those through subsidiary companies, which due to the nature, value, method or timing could have an effect on the value of the company assets or on the completeness and correctness of the disclosures, including of an accounting nature, relating to the issuer, and for which the issuer must also make available to the public an information document pursuant to article 7 of CONSOB Regulation No. 11971/1999, are reserved to the exclusive and prior approval of the Board of Directors. In 2010, no transactions governed by this regulation were undertaken;
b) They were presented for examination and approval by the Board of Directors or the Executive Committee, normally prior to the transaction, even if within the limits attributed to the Chairman-Chief Executive Officer, a series of inter-group and related party transactions specifically identified by type and value, considered individually or cumulatively with other transactions in the previous twelve months.

It is also noted that, subject to that stated above and in accordance with that established for insurance companies by ISVAP regulation No. 25, the inter-group transactions, including those with related parties, in which at least one of the parties is an insurance company – where such transactions are considered significant according to the quantitative parameters determined by the same regulations - are subject to prior communication to ISVAP. In particular, the transactions with subsidiary companies or holdings of at least 20%, or with the direct and indirect parent company and with the parties controlled by this latter not through Milano Assicurazioni, may not be undertaken before the completion of the silence-approval period by ISVAP.

For the purposes of the implementation of the above-mentioned conduct principles, each director and statutory auditor, as well as executives with strategic responsibilities, are requested to provide a list of related parties. The request was also made to statutory auditors in line with the recommendations of the new Code in order to report the position of the statutory auditors and of the directors with regard to the operations of the issuer in which the statutory auditor has an interest.

A directive was then issued by the Chairman-Chief Executive Officer to regulate the operating procedures for the offices of the Company and the subsidiaries where there are significant operations relating to the parties on these lists.

In general all inter-group transactions and with related persons must comply with criteria of correctness both in substance and in form.

Where the nature, value or others characteristics of the transaction required, the Board of Directors ensured that the transactions with related parties were concluded with the assistance of independent experts for the evaluation of assets and for the provision of financial, legal or technical consultants for fairness and/or legal opinions.

The directors that had an interest in the transaction informed in an exhaustive and timely manner to the Board of Directors on the existence of the interest and on the circumstances, evaluating, case by case, whether the director should leave the meeting at the moment of the resolution or abstain from voting. Where this relates to an Executive Director, he must abstain from undertaking the operation.

In the cases relating to the previous paragraph, the Board of Directors' resolutions provided adequate reasons and the benefits for the Company from the operation.

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On November 30, 2010, the Board of Directors of Milano Assicurazioni approved the "Conduct principles for carrying out significant transactions and those with related parties" document, in compliance with that established by CONSOB through resolution No. 17221 of March 12, 2010 (hereafter: the CONSOB Regulation).

In approving the above-stated resolution, the Board of Directors took account of the unanimous approval of the Internal Control Committee comprising exclusively independent directors previously appointed by the Board to examine the procedures in question and to draw up its opinion for the Board of Directors.

The new procedures were published on the internet site of the Company on December 1, 2010 and applied from January 1, 2011.

In compliance with that stated above, the Board also approved the updated text of the guidelines for transactions with related parties in accordance with ISVAP regulation No. 25 of May 27, 2010, in relation to which reference is made to the above stated document concerning the procedural aspects of the transactions with related parties.

Transactions with related parties are classified – as established by the Consob Regulation – into three categories:

- significant transactions;
- less significant transactions;
- minor transactions.

Significant transactions concern those for which at least one of the significance thresholds identified in Attachment 3 of the Consob Regulation exceed 5%, specifically:

a) the ratio of the value of the transaction compared to the consolidated net equity – or, if greater, the capitalisation of the Company;
b) the ratio of total assets subject to the transaction compared to the total assets of the Company;
c) the ratio of the total liabilities of the entity acquired compared to the total assets of the Company.

The threshold is reduced to 2.5% for transactions with the direct parent company FONDIARIA-SAI or the indirect parent company PREMAFIN FINANZIARIA or related parties to these latter which in turn are related to the Company.

Significant transactions are exclusively governed by the Board of Directors with prior binding opinion of a specially-instituted committee of directors, all independent, appointed case by case once the Board of Directors has knowledge of the transaction. Referral to the shareholders' meeting is not established for significant transactions upon which the Committee of independent directors expresses a negative opinion.

Less significant transactions are those for which the procedure requires, in line with that established by the conduct principles in force, the involvement of the Internal Control Committee.

Minor transactions are those concerning transactions of a value lower than the limits identified for less significant transactions.

In relation to the preceding conduct principles approved by the Board, the significance threshold for some types of transactions were lowered, therefore extending the amount of transactions with related parties which may be considered as less significant transactions in accordance with the Consob Regulation, as well as those for which subsidiary companies are subject to obligations, with the exception of listed companies and those not subject to direction and coordination.

In addition, the Internal Control Committee appointed, as previously stated, to express an opinion for the Board of Directors in relation to less significant transactions – is no longer limited to verifying that the documentation (including the fairness opinion, and if applicable, legal opinions) are suitable to allow the Board to resolve upon the transaction, but must also evaluate the interests of the Company stemming from the transaction as well as the economic benefit and material correctness of the transaction.

A register of transactions with related parties will also be maintained by the Administration Department.

2) Board of Statutory Auditors

2.1) Composition, role and meetings of the Board of Statutory Auditors

The current Board of Statutory Auditors, in office until the approval of the financial statements at December 31, 2010, is composed of three standing members and two alternative members, which is reported in another part of the present report. They were appointed by the shareholders' meeting of April 21, 2008, in which two slates were presented by shareholders.

With reference to the current composition of the Board of Statutory Auditors, the Chairman of the Board of Statutory Auditors Giovanni Ossola and the alternate auditor Roberto Frascinelli were elected from the slate with the second largest number of votes at the above-mentioned shareholders' meeting.

After the appointment, in accordance with current provisions, the Board of Directors made a formal verification that the statutory auditors appointed by the shareholders' meeting held the requirements to hold such an office pursuant to article 148, paragraph 3, of the Consolidated Finance Act. The Board of Statutory Auditors periodically verifies the requirements of each member, as well as whether the members are independent based on the criteria of the Code with reference to the directors, in accordance with the recommendations of the Code.

The Board of Statutory Auditors reviews the appointment of the independent audit firm. They also periodically hold meetings with the Group Audit Function and participate at the meetings of the Internal Control Committee for the reciprocal exchange of information of common interest.

The Board of Statutory Auditors were requested, as reported, to provide a list of related parties, in line with the recommendations of the Code in order to align the position of the statutory auditors with that of the directors with regard to the operations of the Company in which the statutory auditor has an interest.

In 2010, the Board of Statutory Auditors met 13 times with an average meeting duration of two hours and 30 minutes, in addition to the time necessary for drawing up the reports. It is expected that a similar number of meetings will take place in 2011. Currently, the Board of Statutory Auditors has met once in 2011.

The Board of Statutory Auditors in 2010 attended in 14 meetings of the Internal Control Committee, all of the Board of Directors' and Executive Committee meetings and the shareholders' meetings.

2.2) Appointment of the Board of Statutory Auditors

Following the statutory modifications introduced pursuant to the Consolidated Finance Act, as subsequently modified by the Savings Law, the transparency of the procedure for the nomination of the statutory auditors is assured, which permits one standing member of the Board of Statutory Auditors to be elected by the minority shareholders and that the chairman of the Board is the standing member elected by the minority shareholders.

The By-Laws provide for the appointment of the Statutory Auditors with a voting mechanism of slates.

Pursuant to current regulations and the by-laws, the slates must be filed at the registered office of the Company at least 25 days before the date fixed for the shareholders' meeting in first convocation, except in the cases as per article 144, paragraph 5 of Consob Regulation No. 11971/1999.

Together with the slates, the shareholders must file at the registered office, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate and a list of offices held as director or statutory auditor in other companies.

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, alternatively, by Law or by Consob. At the shareholders' meeting of April 21, 2008 which appointed the last Board of Statutory Auditors, Consob established at 2% of the ordinary share capital the share capital requirements for the presentation of slates.

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

2.3) Offices held by members of the Board of Statutory Auditors in other companies

The office of director or statutory auditor held by the standing members of the Board of Statutory Auditors in other listed Italian companies is reported below:

Maria Luisa MOSCONI

Statutory Auditor: Premafin Finanziaria S.p.A.

The Chairman of the Board of Statutory Auditors Mr. Giovanni Ossola and the Standing Auditor Mr. Alessandro Rayneri do not hold other offices in other listed companies.

3) Internal control

3.1) Introduction

The current provisions require that insurance companies adopt adequate internal control procedures. ISVAP in turn - since 1999 and, recently, with Regulation No. 20 of March 26, 2008 - defined the internal control system of the companies and the relative functioning procedures, providing indications in order to facilitate, while respecting entrepreneurial independence, the realisation of adequate control systems and risk management, which each enterprise must develop, taking into account the size of their operations and their risk profile.

The internal control system comprises the overall rules, procedures and organisational structures needed in order to ensure the correct functioning and good performance of the enterprise and to guarantee, with a reasonable margin of security:

- The efficiency and effectiveness of the business processes;
- An adequate control of the risks;
- The reliability of the accounting and management information;
- The safeguarding of the company's assets;
- The conformity of the activities of the business with current regulations, directives and business procedures.

Pursuant to the previously cited ISVAP regulation No. 20, the enterprise – in order to maintain an acceptable level of risk in line with available capital, must have an adequate system of risk management, with respect to the size, nature and complexity of the activities exercised, which permits the identification, the evaluation and the control of the most significant risks, which are those risks, which could endanger the solvency of the enterprise or constitute a serious obstacle to the realisation of the enterprise's objectives.

The Company therefore undertook, where necessary, a gradual adjustment of the organisation in accordance with the provisions of ISVAP.

3.2) Control procedures utilised

3.2.1) LINE CONTROL

Within the Fondiaria-SAI Group, the undertaking of the activities and the relative procedures today provide for control by the individual operating units (so-called "line control"), as well as by the managers of each unit.

3.2.2) GROUP RISK MANAGEMENT DEPARTMENT

The monitoring of risks is carried out by the Group Risk Management department, which undertakes its activities with regard to all of the Companies of the Group, with the responsibility of:

- Managing the activities to develop and complete the capital risk models functional to the implementation of an efficient and effective Enterprise Risk Management system;
- Undertake recurring monitoring of the risks through the reporting indicators;
- Contribute to the definition of the operating limits and the relative tolerance thresholds relating to the measurement of the risks assigned to the operating structures and draw up the procedures for the prompt verification of these limits;
- Prepare reports for the Board of Directors, the Internal Control Committee, Senior Management and operational managers in relation to risks and the violation of fixed operating limits;

- Defines, together with the other departments involved, the actions to mitigate the risk where the fixed operating limits have been exceeded;
- Communicating, together with the Group Audit function, the periodic reports to Isvap.

The Group Risk Management department also undertakes specific periodic stress testing in relation to the principal sources of risk and reports these results to the Board of Directors.

The Risk Management department of the Group reports functionally to the Board of Directors of the Company and its subsidiaries.

The Board of Directors of Milano Assicurazioni and of its insurance subsidiaries have undertaken the guidelines for the management of the risks and the decisional procedures relating to new investments (so-called Group Risk Policy) approved by the Board of Directors of the parent company Fondiaria-SAI and defined its structure of operating limits, taking into account the peculiarities of the individual businesses and any specific restrictions in terms of risk tolerance.

The document has the following principal objectives:

- formalise the Risk Governance of the Group;
- to set out the principles and structures of the Enterprise Risk Management model of the Group, in order to guarantee a homogeneous approach to risk;
- set out the guidelines and structure of the operating limits of the Group in line with the risk tolerance and strategies of capital allocation of the parent company Fondiaria-SAI;
- formalise the decision making process for new investments in light of the introduction of criteria based on an economic capital approach and the measurement of risk adjusted profitability;
- support, in a general manner, the process to define the strategic choices in relation to risk.

This document should be viewed in the regulatory context of transition of the management of the risk in the insurance sector from the Solvency I regime to the future Solvency II regime. In this regard, the Risk Policy was developed taking account of the provisions of Regulation Isvap No. 20 of March 26, 2008 and the future changes to be implemented contained in the Framework Directive Solvency II document and the Issue Papers set out by CEIOPS.

In November 2010, the Board of Directors of the Company approved an update to the Group Risk Policy, which complies also with the Solvency II Directive, which has been approved. The General Policy is based on the ERM model and the individual policies drawn up in relation to the separate risks identified. The Boards of Directors of Milano Assicurazioni and all of the subsidiaries will be requested to implement these amendments to their internal structures.

Within the Fondiaria-SAI Group a process of adjustment to the above stated Solvency II regime is in course. In this regard the impacts of the new solvency regulations were monitored closely both at the level of the standard formula and of the internal model, whose development is considered particularly important for the advantages which can be derived in strategic, governance and capital management terms.

In relation to this, the Board in the meeting of July 14, 2010, noting the analysis of the risk profile carried out by the Group, and in particular the profile of the specific risks of the Company and of the Group, reported that the internal model served the specific risk profile of the company better than the standard formula and that the internal model should be increasingly utilised in the risk management system and in the decision-making processes; the Board decided to exercise the option established by Directive 2009/138/EC to calculate the Capital Solvency Requirement under the internal model rather than the standard formula and to begin the informal pre-application process towards the approval of the internal model by ISVAP.

The duties of the Risk Management department – also in relation to the creation of any board appointed committees – will be subject to review in accordance with the provisions of Isvap regulation No. 36 of January 31, 2011, which will shortly enter into force.

3.2.3) GROUP COMPLIANCE DEPARTMENT

Risks concerning non-compliance with regulations are the duty of the Group Compliance department, with the responsibility:

- to identify on an ongoing basis the regulations applicable to the company and evaluate their impact on the company's processes and procedures;
- to evaluate the adequacy and efficiency of the organisational measures adopted for the prevention of the risk of non conformity to the regulations and propose organisational and procedural amendments in order to ensure an adequate profile of the risks;
- to evaluate the effectiveness of the organisational adjustments consequent of the suggested modifications;
- to prepare adequate information flows to the corporate boards of the company and other departments involved.

The Compliance department of the Group reports functionally to the Board of Directors of the Company and its subsidiaries.

The Group Compliance department prepares annually, for the Parent Company and each of the insurance subsidiary companies of the Group in Italy, a work plan which is presented to the Board of Directors of Fondiaria-SAI and subsequently presented to the Board of Directors of Milano Assicurazioni.

The manager of the Group Compliance department, in addition, coordinated a specific Compliance and Corporate Governance Coordination Committee, whose permanent members include the Audit department manager and the Risk Management department manager, as well as other Group centralised departments.

Though this Committee, maintaining autonomy and independence from the departments involved, it undertakes, in relation to the internal control system and management of the risks of the Fondiaria-SAI Group, the following objectives:

- guarantees a functional coordination of the departments involved in the governance process,
- guarantees the coordination, while respecting the autonomy, of the plans of the individual departments,
- favours the interchange of knowledge and problems managed by the individual departments,
- defines and agrees intervention guidelines with relative definition of the priority levels.

The Committee, therefore also represents the organisational interface between Audit, Risk Management and Compliance, expressly contained in the above-mentioned ISVAP Regulation No. 20, in order to:

- report the results of the analyses carried out by the various departments;
- report on the areas of improvement and of higher risk exposure;
- cooperates in the identification of new controls as well as in the development of complementary and efficient action plans.

3.2.4) GROUP AUDIT DEPARTMENT

The verification of the adequacy, efficiency and effectiveness of the procedures adopted is undertaken by the Audit department of the Group, centralised in the parent company Fondiaria-SAI and functionally reports to the Board of Directors of Milano Assicurazioni and its subsidiaries. The Audit activities also extend to the business processes of Fondiaria-SAI and of Group companies, among which Milano Assicurazioni (also indicating the corrective actions considered necessary) the execution of follow-up activity for the verification of the realisation of corrective interventions and the efficiency of the changes made.

The Board of Directors annually approves the work plan of the Group Audit department, which is prepared independently on the basis of a valuation of the typical operating risks of the Company and its subsidiaries. The Group Audit Department is provided with appropriate means and undertakes their activity in an autonomous and independent manner and do not report to any operating area managers.

This department – which liaise with the executive responsible for the preparation of corporate accounting documents pursuant to article 154-bis of the Consolidated Finance Act (hereafter: the "Executive Responsible") in relation to the management model pursuant to law No. 262/2005, as per point 3.4 below - also coordinates with the Internal Control Committee, to which it reports its work, with the Board of Statutory Auditors and with the audit firm of the Company.

The managers of the operating area of the business must ensure that the Group Audit department has full access to all operating structures and all documentation relating to the operating area subject to control. The Group Audit department has contacts with all the officers of the Company and of the Group companies and its manager has the necessary authority to guarantee the independence of the function.

The Group Audit Manager – as illustrated - reports functionally to the Board of Directors of the Company and its subsidiaries.

In addition, following the attribution of a specific Internal Control Committee of the functions in accordance with the Code and as already reported (see point 3.3 below) and having regard to the fact that, among these functions, are the evaluation of the work plans prepared by the Group Internal Audit department and the receiving of their reports, this latter prepares these reports, presenting them to the Internal Control Committee. This latter, in turn, reports to the Board of Directors its opinions of the work plan of the Group Audit department and on the adequacy of the internal control system.

The Board, in accordance with that stated by regulation No. 20 of ISVAP, annually examines and approves the following documents, which are prepared by the Group Audit department, and subsequently transmitted to ISVAP:

- A report on the internal control system and risk management system;
- The corporate and operational organisational structure, specifying the duties attributed to the individual business units and identifying the managers;
- The manner of delegation and establishing power limits;
- The structure of the Group Audit, Risk Management and Compliance departments and the number of employees dedicated to the activities as well as the characteristics and technical-professional experience;
- The internal audit activities undertaken, any deficiencies reported and the corrective actions adopted;
- The strategic information of the Fondiaria-SAI Group and communication technology (ICT) plan, for the part relating to the Company, in order to ensure the existence and maintenance of a highly integrated overall architecture from an application and technological viewpoint and adequate to the entity's needs.

3.3) Internal Control Committee

The Board of Directors has set up an Internal Control Committee, to assist the Board of Directors, which has the duties of analysing the problems relating to the control of the business activities, attributing to it specific functions which have merely a consultative and proposing function, while the deliberations are exclusively the competence of the Board of Directors.

The Internal Control Committee is currently composed of three directors, non-executive and the majority of which are independent, in the persons of Umberto Bocchino, Mariano Frey and Cosimo Rucellai. Mr. Frey is also the lead co-ordinator of the Committee. The composition of the Committee guarantees professionalism and has adequate experience in the undertaking of the role. The Board of Directors resolved to attribute to these directors a special remuneration for the role undertaken.

All the statutory auditors are invited to participate at the meetings of the Internal Control Committee. Minutes are kept of the Committee meetings.

The Internal Control Committee has the role to:

a) Assist the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and, within this system, also the adequacy of the administration and accounting procedures;
b) Assist the Board in the identification and management of the principal business risks which have a significant possibility of occurring;
c) Assist the Board in the definition of the budget and of the intervention plans (with relative priorities) of the activities of the Executive Responsible;
d) Assist the Board, in relation to the application of law No. 262/05, in the supervision:
    - On the implementation of the Action Plan;
    - On the effective compliance with the administration and accounting procedures;
    - On the specific interventions undertaken by the Executive Responsible to verify determined situations;
    - On compliance and procedures for the use of the budget of the activities of the Executive Responsible;
e) Assist the Board of Directors in the definition of the procedures for approval and execution of transactions with related parties;
f) Evaluates the work plan prepared by the Group Audit department and receive periodic reports;
g) Assesses, together with the Executive Responsible, the executives and the external auditors, the appropriateness of the accounting standards applied and their homogeneousness for the purpose of preparing the consolidated financial statements;
h) Evaluate the proposals formulated by the independent audit firms in order to be appointed as auditors as well as the audit work plan and the results expressed in the report and letter of recommendations;

i) Exercise, in the management of the relations with the external auditors, a general supervision of the efficiency of the audit processes undertaken by the audit firm;
j) Supervise on the compliance and periodic updating of the corporate governance rules adopted by the Company and by its subsidiaries.

The duties of the Internal Control Committee will be subject to review in order to eliminate any overlapping with the duties assigned to the Board of Statutory Auditors by Legislative Decree No. 39/2010.

In the undertaking of its consultative functions, the Committee also carried out in 2010 a preliminary examination of related party transactions (including inter-group), in accordance with the guidelines and conduct principles adopted by the Board of Directors of the Company commented upon above, which were subject to examination and approval by the Board of Directors or by the Executive Committee.
As previously stated at point 1.12, the new procedures for transactions with related parties, approved by the Board of Directors on November 30, 2010 and applicable from January 1, 2011, establishes that the Internal Control Committee is appointed to express an opinion to be put to the Board of Directors in relation to less significant transactions with related parties, therefore those established by Consob Regulation No. 17221/2010 above and identified in the procedures.

The Committee reports at least every six months, at the time of the approval of the annual and half-yearly accounts, and informs the Board on the work carried out and the adequacy of the internal control system.

The Committee has an active role in evaluating the work plan of the Group Audit function and of the periodic reports issued.

The Board of Directors also approve the Internal Control Committee regulations, which formalise the principal procedures for its functioning. The Board also assigned an amount to permit the Internal Control Committee, where necessary, to make recourse to external professional advisors for the analysis of specific issues of particular complexity and of risks for the Company.

In 2010, the Committee met 14 times, with an average duration of the meetings of approx. 1 hour and 25 minutes. It is expected that a similar number of meetings will take place in 2011. In 2011 the Committee has already met 4 times.

In particular, in 2010 in the meetings prior to those that the Board of Directors called to approve the draft financial statements for the year ended December 31, 2009, the Committee expressed its favourable opinion on the Group Audit department and considered, at the present moment, the internal control system of the Company to be adequate. The Committee also expressed its opinion:

- that the accounting principles utilised, having consulted with the administrative manager of the Company and the opinions of the audit firm Deloitte & Touche S.p.A., on the basis of the verifications made, are adequate and in accordance with those for the preparation of the consolidated financial statements;
- that, at the current moment, based on the information available, there are no critical elements in the audit of the financial statements of the Company;
- that the governance rules adopted by the Company, to the current knowledge of the Committee and also in relation to the verifications carried out by the Audit function on some aspects, have been complied with and that the report prepared in accordance with the current regulatory provisions was prepared in line with the recommendations issued by Assonime ed Emittenti Titoli S.p.A., taking into account the new legislation introduced and justifying the reasons for the choices made where these are different than those recommended by the Code;
- that the carrying out of the individual activities indicated in the action plan established by the management model as per Law No. 262/05 (reported at point 3.4 below) substantially complies with the time periods and manner established.

On the occasion the Board of Directors' meeting called to approve the half year report at June 30, 2010, the Internal Control Committee confirmed its evaluation on the adequacy of the internal control system, and also did not report any critical elements in the audit undertaken by the audit firm.

3.4) Manager in charge of the preparation of corporate accounting documents

The Board of Directors' meeting of April 21, 2008 appointed the Executive Responsible as Mr. Pier Giorgio Bedogni, Fondiaria-SAI Group Administration Department Manager, among other roles.

In accordance with the provisions of the company by-laws, the Board undertook the appointment with the favourable opinion of the Board of Statutory Auditors and verified the professional qualifications of the person appointed pursuant to the company by-laws which requires that the Executive Responsible is a person of "adequate professional ability who has undertaken management activity in the administrative/accounting sector or finance or management control or internal audit of a company whose financial instruments are listed on a regulated market or that undertake banking, insurance or financial activities or, in any case, is of significant size".

The duration of the appointment was established until the expiry of the mandate of the current Board of Directors.

The Company also adopted a specific management model with reference to application of law No. 262/2005, which introduced the above-mentioned article 154-bis of the Consolidated Finance Act. This management model is integrated into the organisational structure of Fondiaria-SAI and its constitution is based on the fact that the administrative and accounting procedures are part of a wider internal control system, whose responsibility is - and remains - that of the Board of Directors. This latter, however, maintains the general responsibility of direction in relation to the provisions introduced by the above-mentioned law No. 262/2005.

3.5) Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01

The Board of Directors of the Company approved an organisational, management and control Model appropriate to prevent the committing of offences contained in Legislative Decree No. 231 of June 8, 2001, relating to the "Regulation of administrative responsibility of legal persons, of companies and of associations including those without legal form, in accordance with article 11 of law No. 300 of September 29, 2000", which introduced for the first time into Italian law criminal responsibility, which is added to that of personal responsibility.

The Board considered that the adoption of the Model pursuant to Legislative Decree 231/2001 mentioned above, although not obligatory, may constitute a valid instrument in informing all employees of Milano Assicurazioni and all other parties with co-interests, in the undertaking of their activities, and correct conduct so as to prevent the risk of offences as contained in the decree.

In compliance with the provisions of the Decree, the Model approved by the Board of Directors complies with the following principles:

- The verifiability and documentation of all significant operations pursuant to Legislative Decree No. 231/2001;
- The respect of the principal of the separation of the functions;
- The definition of the authorisation powers in line with the responsibilities assigned;
- The attribution to a Supervision Board of the duties to promote the effective and correct implementation of the Model also through the monitoring of business conduct and the constant diffusion of information on the significant activities pursuant to Legislative Decree No. 231/2001;
- The communication to the Supervision Board of the relevant information;
- The creation of specific preventive "controls", specific for the macro categories of activities and related risks, to prevent the committing of the different type of offences contemplated by the Decree (control "ex ante");
- The availability to the Supervision Board of adequate resources to support the duties assigned and the achievement of results reasonably obtainable;

- The activity of verifying the functioning of the Model with consequent periodic updating ("ex post" control);
- The implementation of instruments and diffusion at all company levels of the regulations defined.

The Board approved the setting up of the Supervision Board, which is assigned, through a general plan, the duty to supervise compliance of the Model, to verify the real efficiency and effectiveness of the Model, in relation to the operating structure, to prevent offences pursuant to Legislative Decree No. 231/2001 as well as updating the Model, where there is a need to update this in relation to changed operating conditions. In relation to the composition of the Supervision Board, it was considered appropriate to opt for a mixed composition, with two external professionals with knowledge of the Company and of the Group together with one internal party.

Finally, the Board of Directors on February 15, 2005 approved the Ethical Code of the Company, which recalls the fact that, in the undertaking of its activities, Milano Assicurazioni believes fully in the criteria of transparency and correctness, in compliance with law and in the interests of all stakeholders.

4) Auditing Company

The ordinary Shareholders' Meeting of April 26, 2006 appointed the audit firm Deloitte & Touche S.p.A. auditors for the parent company and consolidated financial statements for the years 2006 to 2011 and the limited audit on the half-year report at June 30 from 2006 to 2011. These appointments conclude on the Shareholders' approval of the accounts as at December 31, 2011.

5) The Shareholders' Meeting and relations with the market

5.1) Shareholders' meetings

The Board of Directors considers the Shareholders' Meeting, although there are many manners of communication with the shareholders, as an important occasion for dialogue between directors and shareholders, especially in respect of the governance rules on price sensitive information.

Normally all of the directors attend the Shareholders' Meetings.

The shareholders' meetings are called through published notices, within the time period established by Law concerning the first call, on the internet site of the company, in the Official Gazette and in the newspaper Il Sole 24 Ore.

The Board reports on the activities of the Company in the Shareholders' Meetings and endeavours to ensure shareholders have adequate information on Shareholder Meeting resolutions.

It was not considered necessary to adopt specific shareholder meeting regulations (taking into account the current provisions contained in the company by-laws, which attributes to the Chairman the powers to direct the Shareholders' Meeting and also contains specific provisions in relation to the functioning of the meeting) considered appropriate to permit a correct and functional undertaking of the meetings.

In the exercise of the powers of management and coordination of the shareholders' meetings conferred by the company by-laws, the Chairman therefore, in the opening of the meeting, communicates to the shareholders' meeting the principles he intends to apply in the undertaking of his statutory functions, fixing the rules before the commencement of the shareholders' meeting proceedings and the manner in which each shareholder has the right to take the floor on the matters under discussion.

The by-laws do not establish any terms for the deposit of shares for attendance at shareholders' meetings.

5.2) General representative of the saving shareholders

The special shareholders' meeting of savings shareholders of April 21, 2009 appointed Mr. Lucio Crispo Common Representative of the Savings Shareholders for the years 2009/2010/2011 and, therefore, until the approval of the financial statements as at December 31, 2011.

5.3) Relations with institutional investors and other shareholders

The Company has always given adequate importance to creating continual dialogue, founded on the reciprocal understanding of roles, with all shareholders and, in particular, with institutional investors and also in compliance with the internal procedures for external communication of documents and information relating to the Company, already previously examined. This is undertaken by the Chairman - Chief Executive Officer.

The Company has nominated the Investor Relations Department of the Group as the function to communicate with the institutional investors, in co-ordination with the other Group management and company interests. The Group Investor Relations Department also communicates with the shareholders, together with the Shareholders' Office.

The Investor Relations Department is responsible for online information through the website of the Company, and is responsible for the publication of forecast information, relations with the Rating Agencies and in general relations with the institutional investors. In addition, together with the Press Office, it is responsible for the publication of press releases and comments relating to market rumours.

The Investor Relations Department can be contacted at the telephone number 011/-6657642 and/or at the e-mail address investorrelations@fondiaria-sai.it.
In order to further promote dialogue with the stakeholders, the shareholders may consult the website of the Group, which is regularly updated.

5.4) Treatment of corporate information

The Company has adopted a consolidated practice, which provides for rules for the management and treatment of corporate information and for the external communication of documents and disclosures, with particular regard to price sensitive information.

The management of the corporate information concerning the Company and its subsidiaries is generally undertaken by the Chairman-Chief Executive Officer. The executives and the employees of the Company and the Group are bound by secrecy obligations in relation to reserved information to which they have knowledge.

All relationships with the press and other mass communication media (or with financial analysts and professional investors) for the divulgence of corporate documents and information must be expressly authorised by the Chairman-Chief Executive Officer. The Company subscribes to the Network Information System circuit, organised and managed by Borsa Italiana S.p.A. for the computerised diffusion of information to the market.

In any case, the procedure is undertaken to avoid that these communications could be made on a selective basis (with preference to certain parties), in an untimely manner or in an incomplete and inadequate form.

The Company has adopted a code of conduct in relation to internal dealing, to govern disclosure obligations - in accordance with law and regulatory provisions issued by Consob - relating to operations on financial instruments undertaken by "relevant persons", considered as parties that, in relation to the office held, have access to confidential information. The Company has also informed the relevant persons of their obligations and responsibilities with reference to operations subject to the code of conduct.

The code is available on the Company's website.

In accordance with applicable law and the above regulations, the Company maintains a Register of the persons, which based on their duties and professional responsibilities or of the positions held, have access to "confidential" information.

In relation to the regulations which govern insider trading offences and market manipulation, at Fondiaria-SAI Group level, a procedure, regarding also Milano Assicurazioni, is implemented relating to all the business areas and in order to reduce the risks which - in the undertaking of the management activities of their portfolio and of the companies of the Group - are undertaken by the Companies against conduct not in line with current regulations. This procedure in particular relates to:

- The operations on treasury shares, of the parent company and of the listed subsidiaries;
- The operations on determined financial instruments;
- The counterparties with which the Company operates.

** *** **

Tables are attached which summarise the Company's procedures for adopting the principal recommendations of the Code:

- The first table summarises the structure of the Board of Directors and the Committees;
- The second table summarises the characteristics of the Board of Statutory Auditors;
- The third, and last, table summarises the level of adequacy of the other contents of the Code in relation to the delegation system, transactions with related parties, nomination procedures, shareholders' meetings, internal control and investor relations.

Board of Directors (2010)							Internal Control Committee		Remuneration Committee ♦		Nomination Committee ◊		Executive Committee	
Office	Members	executive	non-executives	independent	***	Number of other offices *	**	***	**	***	**	***	**	***
Chairman – Chief Executive Officer	Marchionni Fausto	X		--	100%	15							X	==
Vice Chairman	Ligresti Gioacchino Paolo	X		--	86%	19							X	100%
Vice Chairman	Rucellai Cosimo		X	X	100%	3	X	100%					X	100%
Director	Bocchino Umberto		X	X	100%	8	X	100% from 22/9/2010					X	100%
Director	De Marchi Barbara		X		86%	2								
Director	Dezzani Flavio		X	X	==	17								
Director	Di Maio Maurizio		X	X	57%	3								
Director	Erbetta Emanuele	X		--	100%	12								
Director	Frey Mariano		X	X	100%	4	X	86%						
Director	Ligresti Giulia Maria		X		93%	9							X	100%
Director	Ligresti Jonella		X		93%	9								
Director	Lo Vecchio Lia		X		71%	2								
Director	Perrone Da Zara Emilio		X	X	== Until 10/6/2010	1	X	== Untill 10/6/2010						
Director	Pini Massimo		X		79%	6							X	100%
Director	Randazzo Francesco		X	X	71%	1								
Director	Rubino Salvatore		X		93%	5							X	100%
Director	Tabacci Simone		X	X	93%	1								
Director	Talarico Alessandra		X		100%	4								
Director	Talarico Antonio	X		--	100%	9							X	100%

♦ Reasons for non-establishment of a Committee: *In 2010, the Board of Directors have not constituted a specific internal committee for the remuneration of directors who are attributed specific offices. The Board unanimously resolved this with the approval also of the Board of Statutory Auditors. The parent company Fondiaria-SAI also set up a Remuneration Committee, whose functions also relate to subsidiary companies and, therefore, Milano Assicurazioni.*
◊ Reasons for non-establishment of a Committee: *the ownership of the Company is concentrated and there have never been difficulties by the controlling shareholder to prepare proposals.*

Number of meetings held in the year	BoD: 14	Internal Control: 14	Executive Committee: 1		

NOTE

* This column indicates the number of offices a director or statutory auditor holds in other companies listed on regulated markets, including foreign markets, and in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.
** This column indicates with an "X" whether the member of the BoD is a member of the Committee.
*** This column indicates the percentage of participation of the director in relation to the number of BoD and Committee meetings.

TABLE 2: BOARD OF STATUTORY AUDITORS

Office	Members	Percentage of participation at Board meetings	Number of other offices *
Chairman	Ossola Giovanni	100%	0
Statutory Auditor	Mosconi Maria Luisa	100%	1
Sindaco effettivo	Rayneri Alessandro	100%	0
Alternate Auditor	Aldè Giuseppe		
Alternate Auditor	De Re Claudio		
Alternate Auditor	Frascinelli Roberto		
Number of meetings held in the year: 13			
Quorum required for the presentation of slates by minority shareholders for the election of one or more standing members (as per art. 148 CFA): 2%			

NOTE

* This column indicates the number of offices a director or statutory auditor holds in other companies listed on regulated markets, including forei gn markets, in holding, banking, insurance or large enterprises.
. The report on corporate governance indicates all offices held.

TABLE 3: OTHER REQUIREMENTS OF THE GOVERNANCE CODE

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
Powers delegated and transactions with related parties			
The BoD has attributed powers defining:			
a) limits	X		
b) functioning	X		
c) and periodical information?	X		
The BoD reviews and approves the transactions of an important economic and financial nature (including transactions with related parties)?	X		
The BoD has defined guidelines and criteria for the identification of "significant" operations?	X		
The above guidelines and the criteria are described in the report?	X		
The BoD has defined specific procedures for the review and approval of operations with related persons?	X		
Are the procedures for approval of transactions with related parties described in the report?	X		
Procedures for the most recent appointment of directors and statutory auditors			
The proposal of the candidates for the office of director is made at least ten days in advance?	X		
The candidature for director is accompanied by full and complete information?	X		
The candidature for director is accompanied by indications of independence?	X		
The proposal of the candidates for the office of statutory auditor is made at least ten days in advance?	X		
The candidature for statutory auditor is accompanied by full and complete information?	X		

Shareholders' Meetings			
Has the Company approved Shareholder Meeting Regulations?		X	*The provisions of the by-laws – which attribute to the Chairman the power to manage the discussions and define the functioning methods of the Shareholders' Meeting – were held to be suitable and allow an orderly functioning of these meetings.*
Internal control			
Has the company appointed persons responsible for internal control?	X		
Are they hierarchically independent from Business Area managers?	X		
Dept. responsible for Internal Control (as per article 9.3 of the Code)	*Group Audit Department*		
Investor relations			
Has the Company appointed an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations	Investor Relations Dept. - Corso G. Galilei, 12 TORINO Tel. 011-6657.642 e-mail: investorrelations@fondiaria-sai.it		

Disclosures on Share Ownership pursuant to article 123 of the Consolidated Finance Act at 22/03/2011

a) Share capital structure

The subscribed and paid-in share capital is Euro 305,851,341.12.

The categories of shares that make up the share capital are as follows:

	No. of shares	% of share capital	Quoted on	Rights
Number of shares	557,435,774	94.773	MTA-BORSA ITALIANA S.p.A.	(*)
Non convertible savings shares	30,739,882	5.227	MTA-BORSA ITALIANA S.p.A.	(**)

(*) Each Milano Assicurazioni S.p.A. ordinary share has the right to vote in the ordinary and extraordinary shareholders' meetings of Milano Assicurazioni S.p.A.
On the distribution of the profits or on the liquidation of the company the ordinary shares of Milano Assicurazioni S.p.A. do not have any privileges.

(**) The savings share are to bearer. They do not have voting rights and have equity privileges pursuant to articles 24 and 25 of the company by-laws and other rights pursuant to law.
In the case of exclusion from trading of the ordinary or saving shares issued by the company, the saving shares have the rights pursuant to law and the company by-laws.
The saving shares have the right of a dividend up to 5% of the nominal value of the shares. Where the profits for the year do not permit a dividend of 5% to the saving shares, the difference will be included as an increase in the dividend in the two following years.
The profits distributed as dividend by the Shareholders' Meeting are divided among all the shares in order that the saving shares receive a dividend higher than the ordinary shares of 3% of the nominal value of the share.
When the share capital has to be written down to cover losses, this does not imply a reduction of the nominal value of the savings shares, except when the losses to be covered exceed the total nominal value of the ordinary shares. Should the Company decide to distribute its reserves, the savings shares shall enjoy the same rights as the other shares.
Should the Company be wound up, the ordinary shares shall not receive any part of the share capital until the entire nominal value of the savings shares has been reimbursed.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Significant shareholdings

The significant shareholdings of the Company, in accordance with article 120 of the Consolidated Finance Act, are as follows:

PARTY	DIRECT HOLDER	% OF ORDINARY SHARE CAPITAL	% OF VOTING SHARE CAPITAL
FONDIARIA-SAI S.P.A.		64.072	63.630
	FONDIARIA-SAI S.P.A.	60.579	61.323
	FONDIARIA NEDERLAND BV	1.499	1.517
	MILANO ASSICURAZIONI S.P.A. (*)	1.214	-
	SAI HOLDING ITALIA S.P.A.	0.510	0.516
	SAINTERNATIONAL S.A.	0.199	0.201
	PRONTO ASSISTANCE S.P.A.	0.055	0.055
	POPOLARE VITA S.P.A.	0.016	0.016

(*) excluded voting right pursuant to law.

d) Securities which confer special rights

The company has not issued shares which confer special rights.

e) Employee shareholdings: method of exercise of voting rights

There is no share participation programme for employees.

f) Restrictions on voting rights

There are no restrictions on voting rights, except that the treasury shares of Milano Assicurazioni and those held by subsidiaries may not exercise voting rights pursuant to law.

g) Shareholder agreements

To the knowledge of the Company, there are no shareholder agreements pursuant to article 122 of the Finance Act relating to the shares of the Company.

h) Change of control clauses

Loan contracts signed by some direct on indirectly held subsidiaries may provide normal change of control clauses for advance repayment and/or cancellation by the financier in the case of changes in the shareholder structure.

i) Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer

No agreements have been signed between the Parent Company and the directors which provide indemnity in the case of resignation or dismissal/revocation of office without just cause or termination of employment following a public purchase offer. No agreements are in place which provide for the allocation or maintenance of non-monetary benefits in favour of those who have left the company, nor consultancy contracts for periods subsequent to employment, nor for the payment of sums under non-competition commitments, nor finally succession plans for directors.

l) Nomination and replacement of the directors and changes to the by-laws

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 24, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. The by-laws also provide for a period of 25 days before the date fixed for the shareholders' meeting in first call for the filing of the slates at the registered office, in accordance with applicable regulations, recently amended by the regulation concerning shareholders' rights.

The by-laws in addition provide that, together with the slate, the shareholders must file at the registered office, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 147-ter of the Consolidated Finance Act should also be indicated.

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, by Law or by Consob.

The slates presented by the shareholders must contain a number of candidates not lower than nine and not exceeding nineteen, each coupled to a progressive number.
The number of members on the Board of Directors will be the same number of candidates contained on the slate which obtains the largest number of votes.

The directors are elected among the candidates of the slates which are first and second by number of votes, as indicated below:

- From the slate that obtains the largest number of votes, all of the candidates are elected except the last candidate nominated by progressive number;
- From the slate that obtains the second largest number of votes the first candidate by progressive number is elected, provided that this slate has obtained a percentage of votes at least equal to half of those requested by the by-laws for the presentation of the slate.

In the case of presentation of a single slate or where no slate is presented, the shareholders' meeting votes by statutory majority, without complying with the above-mentioned procedure.

Should one or more directors resign during the year, they shall be replaced in accordance with article 2386 of the Civil Code as follows:

a) The Board of Directors appoints the replacements from the same slate to which the directors resigning belonged and the Shareholders' Meeting makes resolutions, in accordance with statutory majority, respecting this criteria;
b) When the above-mentioned slate does not contain candidates not previously elected or when for whatever reason that stated by letter a) cannot be complied with, the Board of Directors makes the replacement in accordance with the statutory majority, without the voting of slates.

The provisions of letter b) below are applied where the Board of Directors are elected without complying with the voting of slates due to the presentation of only one slate or of no slate.
In the event that the majority of the Directors' offices become vacant, the entire Board shall be deemed to have resigned and must promptly call a meeting of the shareholders to elect a new Board.

m) Powers to increase share capital and authorisation to purchase treasury shares

The Board of Directors does not have powers to increase the share capital pursuant to article 2443 of the civil code.

In relation to the authorisation to purchase treasury shares pursuant to article 2357 and thereafter of the civil code, the ordinary shareholders' meeting of April 22, 2010 approved a further purchase of ordinary and or savings treasury shares, in one or more tranches for a period of twelve months from the present deliberation date, for a maximum increase, taking into account any sales in the period, of 5,000,000 ordinary and/or savings treasury shares of a nominal value of Euro 0.52 each, within a maximum amount of Euro 12,500,000, pursuant to article 2357, paragraph 3, of the civil code, establishing that each purchase must be exclusively made on the regulated markets, in compliance with the provisions and regulations applicable by Consob, according to the operating procedures established by Borsa Italiana S.p.A., which does not permit the joint proposal of negotiating a purchase with a predetermined sale, and also excluding blocking operations, for a unitary payment not above 5% of the average prices recorded on the computerised system of Borsa Italiana in the three previous trading days for each single operation.

Principal characteristics of the risk management and internal control system in relation to the financial disclosure process in accordance with article 123-bis, paragraph 2, letter b), of the Consolidated Finance Act

The Company, in accordance with corporate law and the sector regulations and in line with the indications of the Self-Governance Code for listed companies, is progressively implementing the Internal Control System focused on continuous monitoring of risks typical to the company and the Group through a targeted and systematic mapping of the principal corporate processes and their related risks and controls.

In order to ensure an improvement in terms of quality, transparency, reliability and accuracy of the corporate disclosure and to make the risk management and internal control systems more effective in terms of financial disclosure, the Board of Directors, in fulfilment of the indications introduced by Law No.262 of December 28, 2005 (the so-called Savings Law) for the monitoring of the administrative-accounting system, approved a management model, integrated as part of the organisational structure of Milano Assicurazioni, whose details are based on the requirements that the administrative and accounting procedures are part of a wider Internal Control System, whose responsibility lies with the Board of Directors (hereafter: the Management Model).

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

The Company defined the Management Model, in line with the best industry practices, establishing a risk management and internal control system in relation to the financial disclosure process. This system was drawn up based on the following pillars:

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

The Company Level Controls include the aspects of the wider Internal Control System which here relate to, as identified in the CoSO Framework (Committee of Sponsoring Organizations of the Treadway Commission's report, Internal Control—Integrated Framework), the regulations, provisions and mechanisms of control utilised by the Group, with effects on the quality of financial disclosure.

In particular they include the conduct of company managers, the manners of delegating authorisation and responsibility, the policies, the procedures and the programmes at corporate level, as well as the constant monitoring of risks, and the internal and external transmission of financial disclosure.

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

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

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

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

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

- identification of the role and responsibility within each process with establishment of the person responsible for each activity and identification of the various relationships between those involved in the various process phases;
- identification of the existing risks with potential impact on the financial statements through interviews with the managers of the various organisational units involved in each process;
- evaluation of the gross risk profiles, also in relation to fraud, related to the misrepresentation of the balance sheet, financial position and result in the Financial Statements and in the financial disclosure to the market.

  These evaluations were carried out using the following parameters:

  - frequency of possible occurrence, based on the number of times that the risk could be verified in a specific time period;
  - severity of the impact, defined based on the qualitative-quantitative elements related to incorrect administrative-accounting data or disclosure.

  These parameters were evaluated qualitatively according to a High/Medium/Low priority scheme, which establishes the gross risk profile related to the individual activities.
- identification of the control activity, IT or manual, and evaluation of their efficacy in offsetting the risk of untruthful or incorrect representation of the financial disclosure or of lack of traceability;
- define the actions to mitigate the identified risks, in the case in which the controls in place are not sufficient to offset the risk reported or are not sufficiently documented, with establishment of the priority of mitigation actions based on the overall control evaluation;
- implementation and management of a processes/risks/controls database.

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

- to the individual Process Owners the management of the various corporate processes for which they are responsible;
- to the Human Resources and Organisation management, the updating of the documentation relating to the corporate processes;
- to the Risk Management department the identification and evaluation of the risks, of their relative controls and any mitigation actions;
- to the Executive Responsible, through a specific dedicated unit, the updating of the administrative-accounting significance of the processes established.

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

For the new corporate processes, the procedure establishes that the Organisational Manager works with the Human Resources and Organisational management to initiate the consequent analysis, recording and design of the process flow. At the same time the Risk Management department establishes the identification of the risks, the identification and evaluation of the control activities and the establishment of any offsetting actions.

The unit operates in accordance with law 262 attributing to the new processes, based on a significance analysis, the administrative-accounting significance, providing communications to the various Governance managers.

In relation to the existing corporate processes, the Organisational Manager has the responsibility to verify on a quarterly basis the correspondence between that documented in the overall documentation and that effectively implemented, communicating any impacts in terms of the modification of the processes and the risks and controls related to the implementation of analyses by the Human Resources and Organisational Management, of the Risk Management department and of the unit implementing law 262.

The Management Model has identified the duties of the Executive Responsible for the preparation of the corporate accounting documents, appointed in accordance with paragraph 1, of article 154-bis of Legislative Decree No.58/9, establishing the methods of interaction between the Executive Responsible, the Board of Directors, the Internal Control Committee and the Delegated Corporate Boards, as well as identifying the organisational solutions and attributing to the various structures the relative responsibilities for the operational support processes to the Administrative-Accounting Model.

The Board of Directors maintains general responsibility in relation to the administrative-accounting procedures, within the wider Internal Control System, as already stated, whose adequacy is monitored by the Board, also through the Internal Control Committee, overseeing the resolution of any critical issues identified by the Chief Executive Officer and the Executive Responsible.
The Internal Control Committee assists the Board of Directors in relation to administrative-accounting governance as established by the management model approved by the Board and reports, at least bi-annually, on the approval of the annual financial statements and the half year report, to the Board of Directors on the activities carried out and the adequacy of the internal control system.

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

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

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

The implementation of these actions is attributed to the individual Process Owners which, with the support of the organisational managers, monitor quarterly the relative state of advancement.

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

Information on Risks

The Solvency II convergence project

In relation to the preparation for the entry into force of the Solvency II Directive, the companies of the Fondiaria SAI Group followed closely the work undertaken by CEIOPS concerning the second implementation level measures of the Directive. The Group participated in all of the Quantitative Impact Studies, preparatory for the calibration of the new capital requirements, progressively extending the number of companies of the Group participating.

Through the Quantitative Impact Studies, the capital requirements were calculated both for the standard model and for the internal model. The adjustment of the insurance companies towards the Solvency II regulations was seen as a strategic opportunity to optimise the management of the business. During the year, the Group took part in QIS 5 with inclusion of all the companies belonging to the Group.

This adjustment took place through an initial analysis of the regulatory gaps – subsequently updated in view of the progressive consolidation of the regulatory framework – on the basis of which a strategic intervention plan was drawn up through transversal projects within the various areas of the business. The plan was approved by the Board of Directors with emphasis on the utilisation of the internal model, not only as an instrument for the calculation of the capital requirements, but especially as a system for a more efficient management of the business, through greater knowledge in the assumption of the risks and in the allocation of capital.

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

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

- aimed at generating a culture of risk management within the Group based on the different hierarchy levels involved;
- based on an integrated viewpoint of all of the current and future risks which the Group is exposed to and evaluating the impact that these risks can have on solvency and the reaching of objectives.

Within the ERM system, the internal model provides numerous quantitative instruments. Some of these aim to obtain information on the size of operational risks:

- the economic capital;
- measure Risk Adjusted profit;
- fixed operating limits also using Value at Risk.

The model adopted for the valuation of the risk is based on the estimate of the Economic Capital (EC), or rather a Risk Capital model to estimate the capital necessary to evaluate the solvency of the Group, in line with the risk appetite objective[1]. The model is in continual evolution and is regularly updated with the objective to always render it adequate to the risks assumed, to the changes in the regulations and to the technical and methodological innovations.

2 Information on Financial Risks

2.1 *Objectives and criteria of the Financial Risk Management*

In relation to the financial risk management objectives and policies, as well as the Group mitigation policies, the Board of Directors of the parent company Fondiaria-SAI issued guidelines for the allocation of the securities portfolio and the use of financial instrument derivatives.

The policy adopted has the objective to guarantee:

- adequate diversification, avoiding excessive concentration;
- a readily liquid portion of investments;
- structuring of the assets with liabilities through the utilisation of ALM policies;
- a prudent management, limiting the exposure in securities with low credit ratings;
- a use of derivative instruments principally for hedging purposes.

In accordance with these objectives, within the Group Risk Policy approved by the Board of Directors of Fondiaria Sai in February 2009, the operating limits were defined with reference to all the financial risk types, considering also any exposures to risk concentration.

[1] Based on the Guidelines of the Board of Directors' resolution of May 10, 2007, the risk tolerance threshold was fixed at 99.5%, compatible with the objective "A" rating on the basis of Standard & Poor's capital model. This threshold is applied, both in the calculation of the Economic capital within the internal model and in the stochastic measure within the structure of the operating limits and in particular within the management guidelines of the securities portfolio.

The structure of the limits is extended to the principal asset classes which make up the investments, in particular, the limits are defined in terms of:

- maximum percentage per asset class of the total of the Assets Under Management (Total Investments);
- limits of concentration by issuer/counterparty;
- limits in terms of rating;
- limits in terms of VaR;
- limits in terms of duration gap (broken down between Non-Life and Life);
- limits in terms of minimum hedging on the strategic investments;
- limits in terms of liquidity: maximum percentage of "illiquid" instruments.

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

The Board of Directors of each of the Group companies was requested to adopt the Group guidelines and to set out its operating limits accordingly or to evaluate them, taking account of its own idiosyncrasies and possible restrictions in relation to Risk Tolerance.
The guidelines on investments and the investment risk management system will be revised in view of the provisions contained in ISVAP Regulation No. 36 of January 31, 2011 on next application.

2.2 Market Risk

Market risk refers to "the risk of losses from changes in interest rates, in share prices, exchange rates and property prices".

The monitoring system provides for the evaluation of the economic impact deriving from these variables through measures such as VaR which permit:

- The obtaining of uniform measures of risks which permit the comparison of different instruments;
- Determine position limits;
- Construction of "risk-adjusted" measures.

In particular, the measures adopted are:

- the short-term VaR or rather the VaR calculated on a time period of 10 working days;

- the Risk Capital, or rather the VaR calculated on a time period of one year.

The analysis of the VaR and the Risk Capital at 31/12/2010 is shown below of the equity and bond portfolio calculated at a confidence level of 99.5%.

Analysis of the Value at Risk of the Life Division at 31/12/2009

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	6.69	12.49	0.50	13.00
Total Securities	79.00	1.37	0.07	1.44
Total non-listed shares	7.75	7.45	0.00	7.45
Total	93.44	2.67	0.10	2.77
Other assets	6.56	2.63	0.04	2.67
Total	100.00	2.67	0.09	2.76

Analysis of the Value at Risk of the Life Division at 31/12/2010

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	5.47	10.40	0.23	10.63
Total Securities	79.06	1.35	0.08	1.43
Total non-listed shares	9.16	2.64	0.00	2.64
Total	93.68	2.01	0.08	2.09
Other assets	6.32	1.34	0.03	1.37
Total	100.00	1.97	0.08	2.04

Analysis of the Value at Risk of the Non-Life Division at 31/12/2009

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	11.36	13.77	0.29	14.06
Total Derivatives	0.01	-222.88	0.00	-222.88
Net equity exposure	11.37	13.53	0.29	13.82
Total Securities	62.68	0.74	0.00	0.74
Total non-listed shares	23.68	7.33	0.01	7.33
Total	97.73	3.82	0.04	3.86
Other assets	2.27	3.81	0.00	3.81
Total	100.00	3.82	0.04	3.86

Analysis of the Value at Risk of the Non-Life Division at 31/12/2010

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	13.83	9.30	0.25	9.55
Total Securities	64.69	0.90	0.00	0.90
Total non-listed shares	19.10	2.93	0.02	2.94
Total	97.62	2.49	0.04	2.52
Other assets	2.38	0.92	0.00	0.92
Total	100.00	2.45	0.04	2.49

Notes:

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

Analysis of the Risk Capital of the Life Division at 31/12/2009

Type	Composition % (Exact holding)	Risk Capital Price Rate %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	6.69	44.71	2.31	47.02
Total Securities	79.00	4.91	0.32	5.24
Total non-listed shares	7.75	29.46	0.00	29.46
Total	93.44	9.80	0.44	10.24
Other assets	6.56	9.66	0.18	9.85
Total	100.00	9.79	0.42	10.21

Analysis of the Risk Capital of the Life Division at 31/12/2010

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	5.47	40.83	1.07	41.89
Total Securities	79.06	5.41	0.36	5.77
Total non-listed shares	9.16	11.96	0.00	11.96
Total	93.68	8.11	0.37	8.48
Other assets	6.32	5.35	0.15	5.49
Total	100.00	7.94	0.35	8.29

Analysis of the Risk Capital of the Non-Life Division at 31/12/2009

Type	Composition % (Exact holding)	Risk Capital Price Rate %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	11.36	47.49	1.32	48.81
Total Derivatives	0.01	-672.85	0.00	-672.85
Net equity exposure	11.37	46.76	1.32	48.08
Total Securities	62.68	2.26	0.00	2.26
Total non-listed shares	23.68	29.13	0.04	29.17
Total	97.73	13.95	0.16	14.11
Other assets	2.27	14.00	0.00	14.00
Total	100.00	13.95	0.16	14.11

Analysis of the Risk Capital of the Non-Life Division at 31/12/2010

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	13.83	36.23	1.16	37.39
Total Securities	64.69	3.18	0.00	3.18
Total non-listed shares	19.10	13.40	0.08	13.47
Total	97.62	9.86	0.18	10.04
Other assets	2.38	3.29	0.00	3.29
Total	100.00	9.71	0.17	9.88

Notes:

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

The reduction of the risk of the portfolio compared to December 31, 2009 is principally due to the equity component arising from the contraction in volatility and the change in the method in measuring equity risk. In relation to the principle proposed by EIOPA (formerly CEIOPS) in the Quantitative Impact Study 2010 (QIS5) for the calculation of the equity risk, the strategic investments were valued applying the lower volatility coefficients.

2.2.1 Interest rate risk

In relation to the interest rate risk, or rather "the risk of unexpected loss deriving from an adverse movement in interest rates", the exposure of the Company principally regards debt securities and in particular long maturity. In order to limit this risk, the Group utilises a mix between fixed income securities and variable rates. The ALM management has the aim to maintain an equilibrium in duration between assets and liabilities.
Through the utilisation of stochastic models, in addition to the VaR estimate, stress tests are also undertaken utilising extreme situations. The table below reports a sensitivity analysis of the value of the bond portfolio corresponding to an increase and a decrease in the interest rates of 50 bp.

Sensitivity analysis of the bond component

	+ 50 bp		- 50 bp	
(€ millions)	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Total	**-127**	**-121**	**134**	**128**
Non-Life	-32	-31	33	32
Life	-96	-91	101	96

Notes:
- The structured securities are not included.

The table below shows the analysis of the duration, of the VaR and of the Risk Capital of the bond portfolio at 31/12/2010 divided by type of issuer and maturity.

Analysis of the bond component by VaR and Life Division Risk Capital maturity

Type	Composition % (Exact holding)	Duration Macaulay	VaR Rate %	Risk Capital Rate %
Governament Euro	**72.43**	**6.29**	**1.32**	**5.33**
Variable rate	***8.32***	***1.33***	***0.48***	***1.81***
Fixed rate	***64.11***	***6.93***	***1.43***	***5.78***
0,0< <=1,5	8.26	0.73	0.37	0.16
1,5< <=3,0	5.62	2.21	1.00	3.03
3,0< <=5,5	10.52	3.58	1.30	5.04
5,5< <=7	2.32	5.62	1.54	6.51
>7	37.39	9.82	1.76	7.61
Corporate Euro	**25.78**	**4.36**	**1.32**	**5.14**
Variable rate	***0.46***	***0.11***	***0.02***	***0.94***
Fixed rate	***25.32***	***4.44***	***1.34***	***5.21***
0,0< <=1,5	1.55	0.77	0.39	0.37
1,5< <=3,0	4.47	2.11	0.94	2.79
3,0< <=5,5	9.22	3.49	1.26	4.81
5,5< <=7	5.54	5.43	1.70	7.13
>7	4.53	7.95	1.80	7.74
Euro Bond Funds	**0.16**	**0.88**	**0.39**	**0.59**
Fixed rate	***0.16***	***0.88***	***0.39***	***0.59***
0,0< <=1,5	0.14	0.51	0.27	0.00
1,5< <=3,0	0.01	1.96	0.89	2.42
3,0< <=5,5	0.02	3.57	1.26	4.86
Governament Non Euro	**1.01**	**3.91**	**0.22**	**0.34**
Variable rate	***0.02***	***0.17***	***0.02***	***0.00***
Fixed rate	***0.99***	***3.98***	***0.23***	***0.35***
0,0< <=1,5	0.34	0.54	0.05	0.00
3,0< <=5,5	0.47	4.27	0.28	0.45
>7	0.18	9.93	0.42	0.75
Corporate Non Euro	**0.62**	**1.51**	**0.15**	**0.17**
Variable rate	***0.04***	***0.07***	***0.00***	***0.52***
Fixed rate	***0.58***	***1.60***	***0.16***	***0.14***
0,0< <=1,5	0.35	0.87	0.09	0.02
1,5< <=3,0	0.16	2.24	0.25	0.29
3,0< <=5,5	0.04	2.82	0.36	0.52
5,5< <=7	0.03	5.33	0.22	0.35
Total Bonds	**99.84**	**5.82**	**1.30**	**5.20**
Total	**100.00**	**5.82**	**1.30**	**5.19**

Analysis of the bond component by VaR and Non-Life Division Risk Capital maturity

Type	Composition % (Exact holding)	Duration Macaulay	VaR Rate %	Risk Capital Rate %
Governament Euro	**85.76**	**2.40**	**0.88**	**3.04**
Variable rate	***29.52***	***1.29***	***0.49***	***2.01***
Fixed rate	***56.24***	***3.00***	***1.08***	***3.58***
0,0< <=1,5	6.75	1.09	0.56	0.43
1,5< <=3,0	29.03	2.14	0.96	2.81
3,0< <=5,5	17.27	4.00	1.35	5.37
>7	3.19	9.03	1.74	7.55
Corporate Euro	**10.68**	**4.56**	**1.21**	**4.88**
Variable rate	***1.21***	***0.14***	***0.04***	***1.12***
Fixed rate	***9.47***	***5.13***	***1.36***	***5.35***
0,0< <=1,5	0.69	0.92	0.48	0.13
1,5< <=3,0	1.55	2.14	0.98	2.87
3,0< <=5,5	3.12	4.05	1.39	5.53
5,5< <=7	1.26	5.64	1.59	6.69
>7	2.85	8.71	1.63	7.19
Euro Bond Funds	**3.56**	**1.12**	**0.46**	**1.07**
Fixed rate	***3.56***	***1.12***	***0.46***	***1.07***
0,0< <=1,5	2.76	0.49	0.25	0.07
1,5< <=3,0	0.45	2.87	1.13	4.00
3,0< <=5,5	0.36	3.78	1.30	5.08
Total Bonds	**96.44**	**2.65**	**0.91**	**3.24**
Total	**100.00**	**2.60**	**0.90**	**3.16**

Notes:

- The percentage weight is calculated taking as reference the values utilised in the analysis.
- The analysis does not include structured securities.

2.2.2 Equity risk, exchange risk and real estate risk

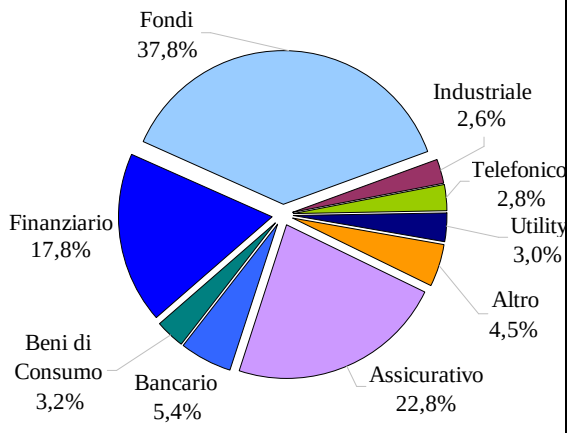
The equity risk "risk of unexpected losses deriving from adverse changes in equity prices" and the foreign exchange risk "risk of unexpected losses deriving from adverse changes in exchange rates" are valued as stochastic models calibrated on the market.

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

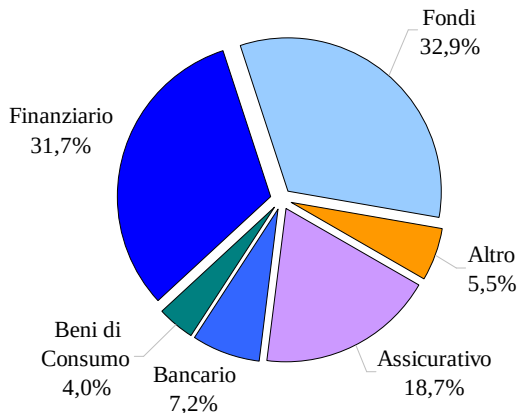
The graphs below show the composition of the portfolio of the equity sector.

Composition of the equity portfolio

Life Division



Non-Life Division



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

Sensitivity analysis of the listed equity portfolio

(€ millions)	31/12/2010	31/12/2009
Total	**-73**	**-74**
Non-Life	-51	-47
Life	-22	-27

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

Analysis of the composition and of the Life Division Value at Risk

Type	Currency	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Shares	**Norwegian Crown**	0.01	27.18	3.85	31.03
	US Dollar	0.01	19.28	5.14	24.43
	Euro	5.18	10.40	0.00	10.40
	Swiss Franc	0.17	8.36	4.35	12.71
	UK Sterling	0.10	10.26	4.27	14.53
	Total listed shares	5.47	10.40	0.23	10.63
Bond funds	**Euro**	0.38	7.79	0.00	7.79
Bonds	**US Dollar**	0.58	0.27	5.20	5.47
	Euro	77.39	1.34	0.00	1.34
	Swiss Franc	0.71	0.14	4.42	4.55
	Total Bond Funds	79.06	1.35	0.08	1.43
Shares	**Euro**	9.16	2.64	0.00	2.64
	Total non-listed shares	9.16	2.64	0.00	2.64
	Total	93.68	2.01	0.08	2.09
	US Dollar	0.04	1.31	5.16	6.47
	Euro	6.28	1.34	0.00	1.34
	Other assets	6.32	1.34	0.03	1.37
	Total	100.00	1.97	0.08	2.04

Analysis of the composition and of the Non-Life Division Value at Risk

Type	Currency	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Shares	**US Dollar**	0.03	29.49	5.14	34.63
	Euro	13.04	9.23	0.00	9.23
	Swiss Franc	0.15	7.61	4.35	11.96
	UK Sterling	0.61	10.12	4.27	14.39
	Total listed shares	**13.83**	**9.30**	**0.25**	**9.55**
Bond funds	**Euro**	2.32	0.46	0.00	0.46
Bonds	**Euro**	62.37	0.92	0.00	0.92
	Total Bond Funds	**64.69**	**0.90**	**0.00**	**0.90**
Shares	**US Dollar**	0.06	7.65	5.14	12.79
	Euro	19.04	2.91	0.00	2.91
	Total non-listed shares	**19.10**	**2.93**	**0.02**	**2.94**
	Total	**97.62**	**2.49**	**0.04**	**2.52**
	Euro	2.38	0.92	0.00	0.92
	Other assets	**2.38**	**0.92**	**0.00**	**0.92**
	Total	**100.00**	**2.45**	**0.04**	**2.49**

Notes:

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

Analysis of composition and Life Division Risk Capital

Type	Currency	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Shares	**Norwegian Crown**	0.01	83.06	18.12	**N/A**
	US Dollar	0.01	68.58	23.73	92.31
	Euro	5.18	40.87	0.00	40.87
	Swiss Franc	0.17	34.90	20.33	55.23
	UK Sterling	0.10	39.52	19.95	59.47
	Total listed shares	5.47	40.83	1.07	41.89
Bond funds	**Euro**	0.38	31.59	0.00	31.59
Bonds	**US Dollar**	0.58	0.39	23.98	24.37
	Euro	77.39	5.36	0.00	5.36
	Swiss Franc	0.71	0.19	20.62	20.80
	Total Bond Funds	79.06	5.41	0.36	5.77
Shares	**Euro**	9.16	11.96	0.00	11.96
	Total non-listed shares	9.16	11.96	0.00	11.96
	Total	93.68	8.11	0.37	8.48
	US Dollar	0.04	5.21	23.81	29.02
	Euro	6.28	5.35	0.00	5.35
	Other assets	6.32	5.35	0.15	5.49
	Total	100.00	7.94	0.35	8.29

Analysis of composition and Non-Life Division Risk Capital

Type	Currency	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Shares	**US Dollar**	0.03	86.15	23.73	**N/A**
	Euro	13.04	35.93	0.00	35.93
	Swiss Franc	0.15	32.61	20.33	52.94
	UK Sterling	0.61	41.05	19.95	61.00
	Total listed shares	**13.83**	**36.23**	**1.16**	**37.39**
Bond funds	**Euro**	2.32	1.07	0.00	1.07
Bonds	**Euro**	62.37	3.26	0.00	3.26
	Total Bond Funds	**64.69**	**3.18**	**0.00**	**3.18**
Shares	**US Dollar**	0.06	33.62	23.73	57.34
	Euro	19.04	13.33	0.00	13.33
	Total non-listed shares	**19.10**	**13.40**	**0.08**	**13.47**
	Total	**97.62**	**9.86**	**0.18**	**10.04**
	Euro	2.38	3.29	0.00	3.29
	Other assets	**2.38**	**3.29**	**0.00**	**3.29**
	Total	**100.00**	**9.71**	**0.17**	**9.88**

Notes:

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

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

2.3 Credit Risk

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

- Counterparty Default Risk, the risk of possible losses due to unexpected non compliance of the counterparties and of the debtors, excluding issuers of bond securities which are within the spread risk. In general, this category includes receivables from reinsurers, other receivables and receivables relating to derivatives.
- Spread Risk, the risk related to the change in the value of the bonds held in portfolio against changes in the ratings level of the issuer.

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

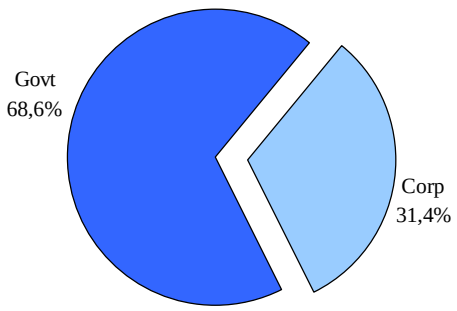
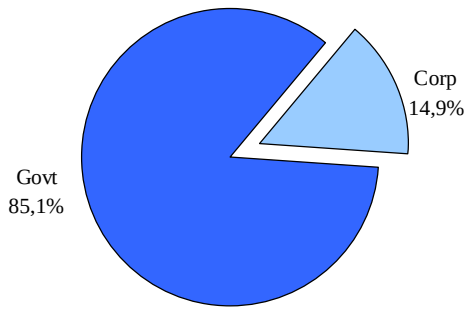
The first model evaluates the probability of default of the issuers present in the portfolio,

while the second takes into account the loss in value of the portfolio as a consequence of "migration" of the issuers from one class to another rating. This latter is considered more adequate for the total determination of the Economic Capital. On the basis of these models, the exposure of the Company to the credit risk is periodically monitored.

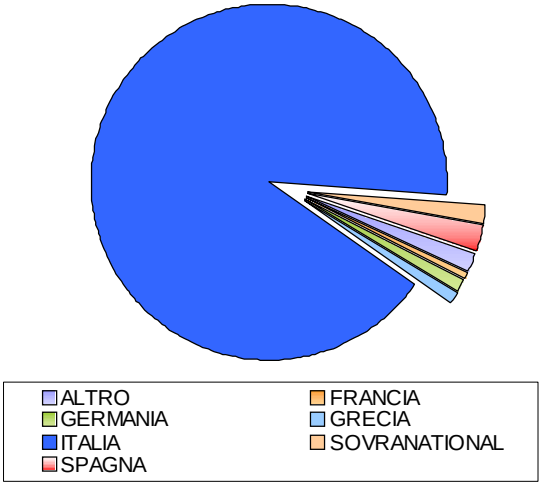
In relation to the control of the global exposition to the credit risk, specific resolutions of the Board of Directors have fixed limits in terms of concentration for reinsurers and rating classes.

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

Composition of the Bond portfolio

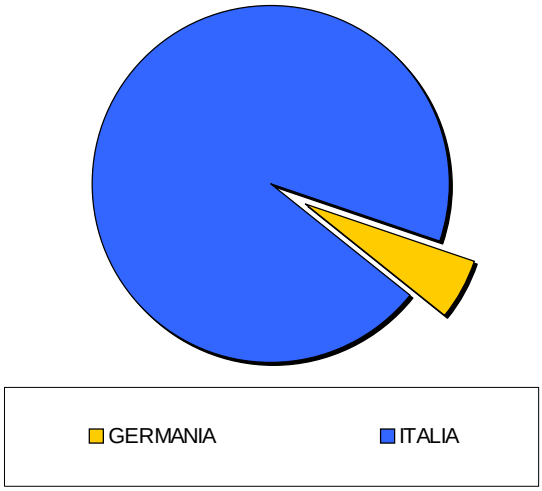
Life Division	Non-Life Division
	

Government bond portfolio by country of the Life Division



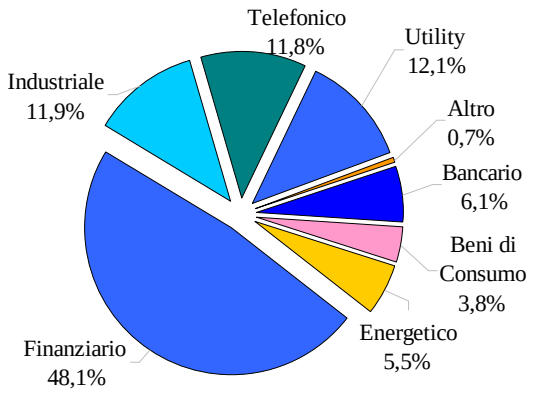
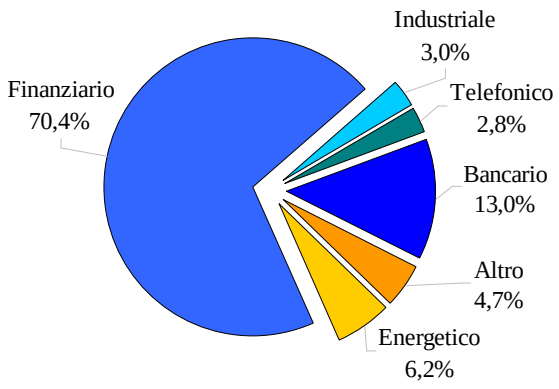
Issuing country	(%)
AUSTRIA	0,27
BELGIUM	0,15
CANADA	0,13
FINLAND	0,31
FRANCE	0,51
GERMANY	1,14
JAPAN	0,07
GREECE	1,16
IRELAND	0,08
ITALY	91,43
MEXICO	0,11
PORTUGAL	0,04
SOVRANATIONAL	1,71
SPAIN	2,47
USA	0,16
SWITZERLAND	0,26

Government bond portfolio by country of the Non-Life Division

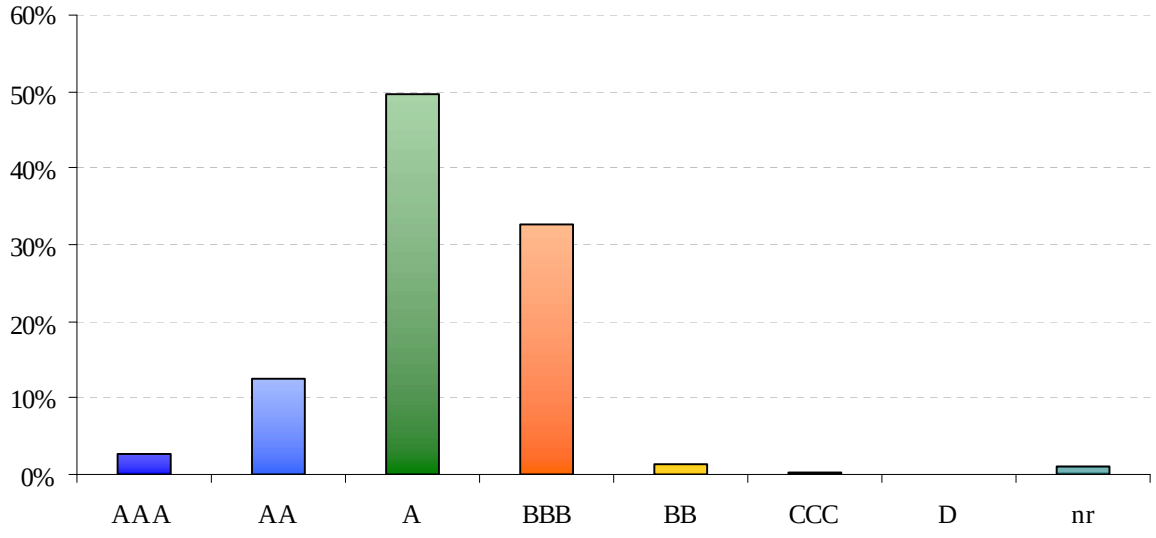


Issuing country	(%)
GERMANY	5,47
ITALY	94,48
SOVRANATIONAL	0,05

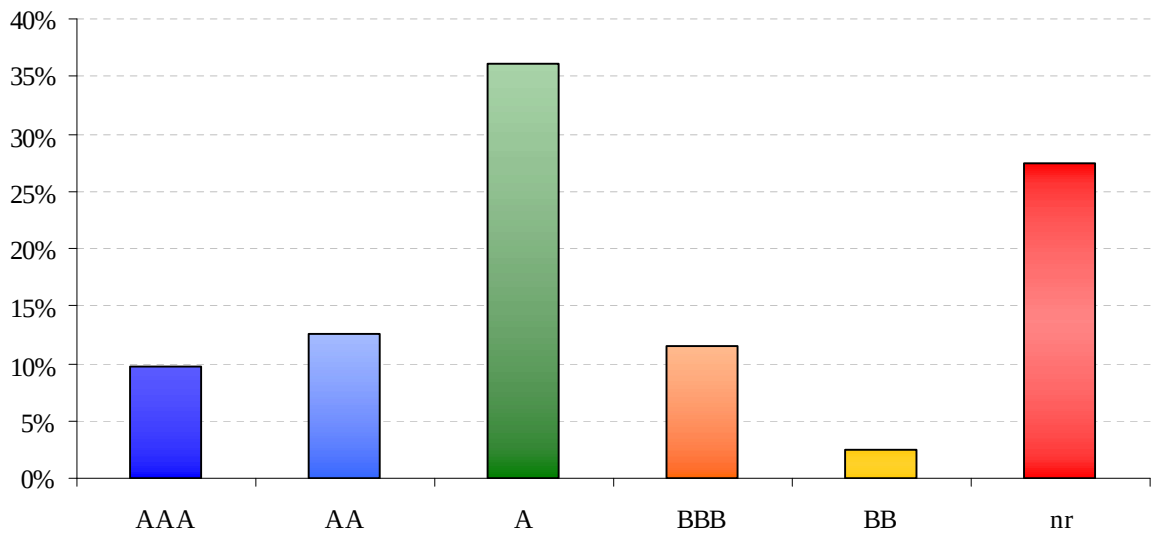
Composition of corporate bonds by segment

Life Division	Non-Life Division
	

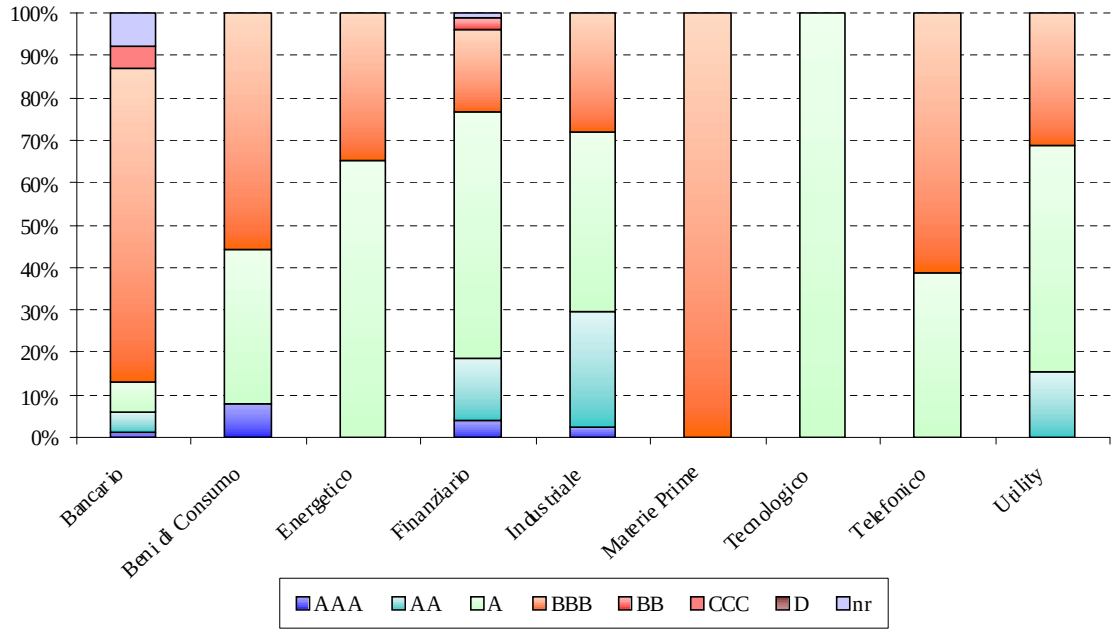
Corporate bond portfolio by Standard & Poor's rating for the Life Division



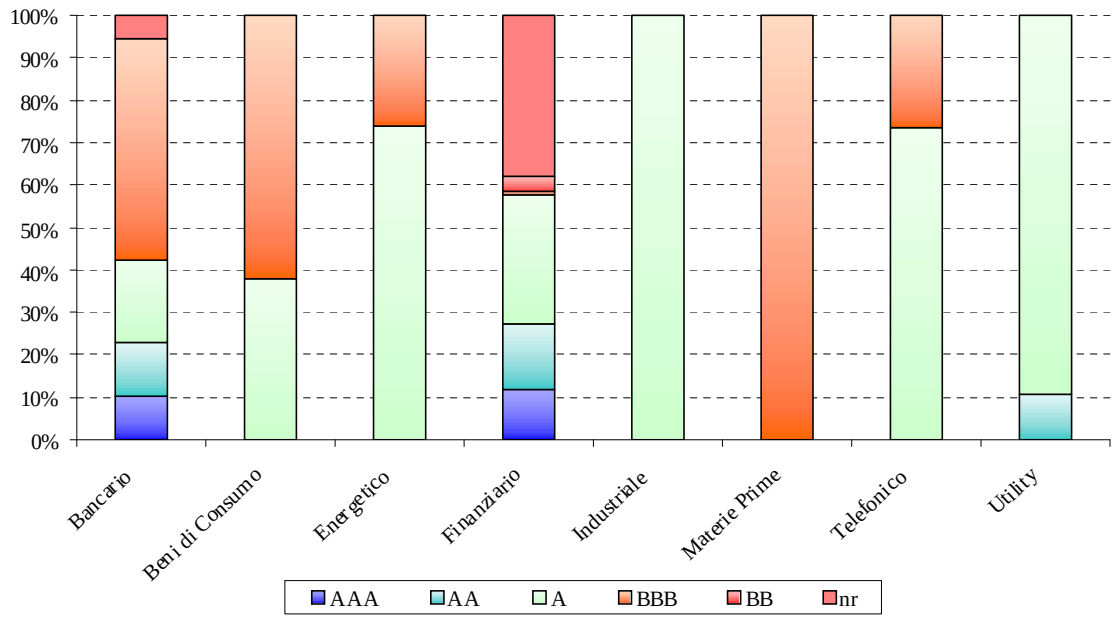
Corporate bond portfolio by Standard & Poor's rating for the Non-Life Division



Corporate bond portfolio by sector and rating of the Life Division



Corporate bond portfolio by sector and rating of the Non-Life Division

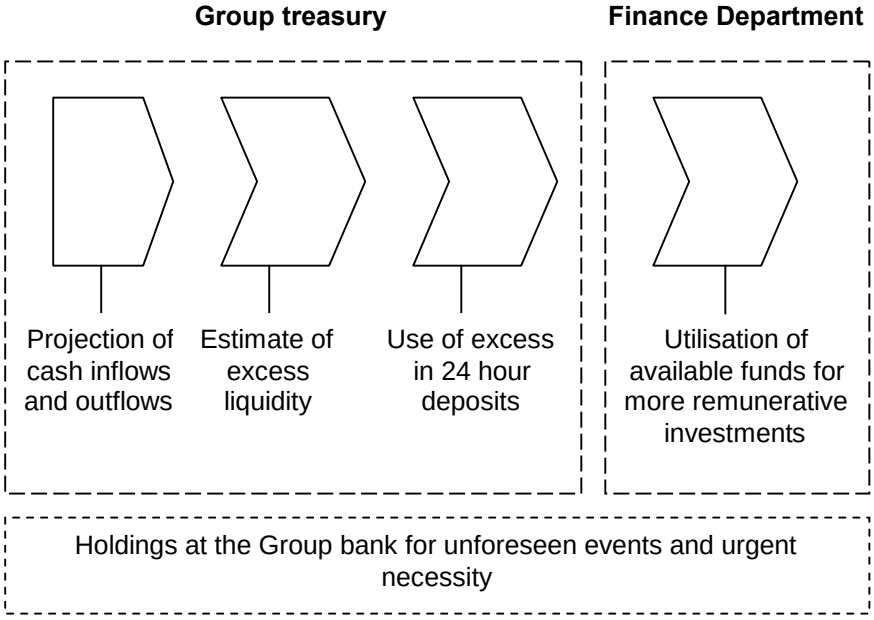


2.4 Liquidity Risk

The liquidity risk involves "the risk of non-compliance of obligations towards policyholders and other creditors due to difficulties in transforming the investments into liquidity without incurring losses".

For the management of liquidity, the Company adopted an organisational system based on the centralisation of the financial cash flows through the Group Treasury. This system guarantees, in addition to a rational monitoring of all the incoming and outgoing cash flows (assisted by a daily *cash pooling*), also the optimisation of the returns on the liquidity realised through the centralised management of the excess liquidity compared to the programmed commitments. The Group Treasury activities seek to ensure a balance between the maintaining of monetary credit lines capable of covering any unforeseen obligations of the policyholders and of suppliers and the opportunity to apply the excess liquidity to more remunerative investment operations.

In particular these activities, principally undertaken over a ten day time period, are structured according to the following graphic:



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

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

In relation to the fund investments, on the basis of the Group Risk Policy, limits were fixed relating to the illiquid assets compared to the total assets under management (AUM).

3 Information on Operational Risks

3.1 The Framework of Operational Risk Management

The Fondiaria-Sai Group, following the drive based on strategic and regulatory requirements, set out and is currently implementing a framework – for the identification, measuring, monitoring and management of the Operating Risks, which relates to "the risk of losses deriving from the inefficiencies of persons, processes and systems, including those utilised for distance selling, or from external events, such as fraud or the outsourced supply of services (outsourcing risk)" (Regulation No. 20 of ISVAP Article 18 paragraph 2, letter f). Based on the framework of Operational Risk Management, the relationships and the reciprocal impacts between Operating Risks and the risks indicated in the Map are also considered, which include Risk Compliance and Reputational Risk, with the objective to evaluate the direct and indirect effects of events relating to Operating Risks. In particular, the analysis adopted is aimed at understanding, according to the casual logic the risk factors, events and effects (monetary and non monetary) as well as the impacts that these effects can have on the solvency of the Group and achieving the objectives set.

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

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

3.2 Activities carried out and objectives for 2011

During the year, the self assessment risk (SAR) activity continued of the business processes with the analysis of the "Life Area" operating risks, with particular reference to the issue, management and settlement processes. The analysis was undertaken through a qualitative-quantitative method based on questionnaires which resulted in the identification of the most significant risks in economic terms. The questionnaires were drawn up making reference to the risks identified following an analysis of the process carried out in collaboration with the Audit department, with the support of the respondents and based on the preceding verifications carried out. In line with the objectives of collaboration and coordination with the other functions of governance, results of the analysis were shared with the relative structures for the regulatory compliance aspects and those in accordance with law 262. In view of the issues arising, in collaboration with the process owner and the process manager, the relative action plans were prepared.

In line with the "Solvency II convergence project", the activities continued relating to the creation and development of the operating risk management system, in particular, the principal objectives reached were:

- the definition and approval by the Board of Directors of the operating risk policy;
- the formalisation of the operating risk assessment method;
- the creation and activation of the risk and control manager (RRC) network within the company.

Also in 2010, within the Solvency II project activity, work commenced relating to the Business Continuity and Crisis management project in which the following objectives were identified:

- definition of a "high level" Business Continuity Policy
- drawing up of a Group Business Continuity Plan (BCP)
- identification of the Business Continuity Management – BCM.

Other information

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

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

Audit fees and other services provided by audit firm

The following table shows the information required pursuant to article 149 of the Consob Issuer's Regulation:

Type of services	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Deloitte & Touche S.p.A.	Milano Assicurazioni	862
	Deloitte & Touche S.p.A.	Immobiliare Milano Ass.	107
b) certification work (*)	Deloitte & Touche S.p.A. .	Milano Assicurazioni	216
c) fiscal consulting			-
d) other services			-
Total fees in the year			**1,185**

(*) of which:	
audit fee of the separated management	165
audit fee of the internal insurance funds	18
audit fees of the open pension funds	13
Other services	20

Compliance with privacy laws (Legislative Decree No. 196/2003)

In accordance with the rule 26 of the "Technical Governance on security matters", Attachment B) of Legislative Decree No. 196 of June 30, 2003, Milano Assicurazioni declares to have prepared the Programmed Security Document relating to the year 2010, in compliance with the provisions of article 34 of Legislative Decree No. 196 of 30/06/2003 and the Technical Governance cited above.

Litigation

At December 31, 2010, 41,482 claim disputes were still open. Of these, 32,238 relate to the Motor TPL Class. During the year, a total of 18,552 cases were defined, of which 16,015 relating to the Motor TPL class.

Tax Audits

On December 29, 2010 the Company was notified of the following assessments:
- first and second level assessments in relation to IRES income taxes for 2005 and notice of the relative penalties;
- an assessment in relation to IRAP regional taxes and withholding taxes for 2005 notice of penalties for non-payment of withholding taxes;
- an assessment concerning VAT penalties for 2005 in relation to coinsurance.

These notices refer essentially to operations carried out by the Company in the 2005 tax year concerning shares in the dividend coupon periods and a debt security on which foreign tax credits arise. The description of these operations was contained in the contestation notice of July 31, 2008 by the Large Contributions Office of the Central Office of the Inland Revenue Agency, following a general audit for the tax period ending December 31, 2004, initiated in November 2007 without formulating specific contestations.
An appeal was made in relation to the VAT assessment while for the direct tax assessments a request was made to apply for a tax settlement.

In 2010, a tax audit was initiated by the Large Contributions Office of the Central Inland Revenue Declaration Agency in order to control the operations which generated income which in turn generated foreign tax credits and dividends for the tax periods 2006, 2007 and 2008. Currently the necessary documents are not available to estimate the potential risk relating to these periods.

The expected charges were provisioned in a relative fund.

In relation to the assessments notified on December 28, 2009 in relation to IRES and IRAP for 2003, VAT for 2004 and substitute taxes for 2003 and 2004, in relation to which an appeal was filed, the company is awaiting a hearing before the provincial Tax Commission of Milan. Following delays in the application of the company, the Authorities have cancelled the IRAP assessment in application of the principle of self-protection.

Stock Exchange Listing

In 2010, the ordinary share price was valued in a range between a minimum of Euro 1.0166 at November 30 and a maximum of Euro 2.1789 at March 25; the minimum listing for savings shares was Euro 1.1506 on November 30 and a maximum of Euro 2.3733 on April 21.
The stock exchange capitalisation at the year-end was Euro 706.6 million (Euro 1,213.6 million at December 31, 2009), lower than the net book value.
In so far as this fact may be seen as an external sign of a loss in value, it is highlighted that the Stock Market listing prices reflect transactions between minority shareholders which do not include the right to control the management policies of the entity. The impairment tests carried out for the purposes of the consolidated financial statements confirm the correctness of the shareholders' equity recorded.

* * *

Pursuant to article 126 of Resolution No. 11971 of May 14, 1999, the list of the non-listed companies and of the Companies in which the Company held at December 31, 2010, directly and/or indirectly, a holding above 10% of the share capital or in relation to which the shares or quota attributed to the company the voting right above the percentage held, is shown as an attachment.

Subsidiary and associated companies

The list, pursuant to article 2427, point 5, of the Civil Code, is shown in attachment No. 6 to the notes. For each of these, the balance sheet and the income statement of the last financial statements approved are attached.

The key financial information for 2010 of the principal subsidiaries and associated Companies are shown below.

Subsidiary companies

LIGURIA Società di Assicurazioni S.p.A. – Segrate (direct holding 99.97%)

In 2010, the company wrote premiums of Euro 262.9 million, a decrease of 3.9% on 2009, essentially due to the discontinuation from the portfolio of policies with negative technical performances.
The claims to premium ratio for direct business increased to 114.7% compared to 89.8%, corresponding to a technical gross loss of Euro 97.6 million (loss of Euro 31.9 million in 2009). The deterioration is principally due to a significant strengthening of the claims reserve, carried out following the increase in the average cost of claims paid as a result of the new physical injury compensation tables recently adopted by the major courts.
Financial income amounted to Euro 3.4 million, compared to Euro 9.4 million in 2009 and includes impairments of Euro 4.3 million (in the previous year, the valuation of the portfolio had a positive impact on the Income Statement with net write-backs of Euro 2.7 million).

The net result was a loss of Euro 95.1 million, compared to a loss of Euro 24.4 million in 2009.

In 2010, the initiatives taken to recover profitability and operating efficiency, in particular in the claims sector, continued: secondary offices were subject to comprehensive reorganisational actions in order to contain costs, improve settlement times and to prevent and contain fraud.

In addition to claims, the principal organisational structures of the company were developed and improved, with particular reference to the commercial and IT structures, where synergies within the group were further strengthened.

The commercial initiatives undertaken in 2010 focused even more on the coordination of the regional structures and the network agencies through specific initiatives. The total discounts awarded by agencies was also reduced. In June the new Motor TPL tariff was introduced, reviewed in order to rebalance the technical result. At the same time, the discontinuation of sales points with unsatisfactory performances continued, partially rebalanced by the opening of carefully selected sales points.

Considering the performances reported, on December 30, 2010 the parent company Milano Assicurazioni S.p.A. made a payment of Euro 90 million as partial coverage of the loss for the year, necessary to maintain the solvency margin.

LIGURIA VITA – Segrate (indirect holding 99.97%)

Premiums written amounted to Euro 24.3 million (Euro 22 million in 2009, +10.7%). New business amounted to Euro 16.7 million (Euro 15.2 million in 2009), of which Euro 14.7 million relating to single premiums, Euro 1.2 million to recurring premium products and Euro 0.7 million to annual premiums products.

The sums paid amount to Euro 13.7 million, an increase on Euro 9.9 million in the previous year, due in particular to an increased number of redemptions.

The class C gross technical reserves amount to Euro 114.2 million (Euro 103.6 million in 2009), with Euro 97.6 million relating to Class I individual policies and Euro 16.7 million relating to securitisation policies. Technical reserves of the contracts linked to market indices in Class III amount to Euro 5.7 million.

In relation to the separated management performances, the "Liguria Fund" recorded a yield of 3.72%, compared to 4.02% in the previous year.

The company reports a loss of Euro 2.4 million against a net profit of Euro 0.2 million in 2009. The loss essentially relates to the impairments on the securities portfolio, carried out to align the book values with the year-end listings, affected by the volatility which continues to impact the financial markets.

DIALOGO ASSICURAZIONI S.p.A. – Milan (direct holding 99.85%)

The Company operates in the placement, through the call centre and Internet channels, of motor insurance products and Personal and Wealth protection.
The new phase in the advertising campaign contained in the industrial plan of the company began. The cost incurred in 2010 amounting to approx. Euro 4 million was entirely expensed in the income statement.
The gross premiums written amounted to Euro 33.6 million, an increase of 17% compared to 2009.
The Motor TPL class, which comprises the majority of the portfolio, reports a deteriorating technical performance, with a claims to premium ratio increasing to 123.1% from 111.3% in 2009, principally following the increase in the average cost of claims paid and the consequent need to strengthen the prior year claims reserve.
Therefore, the company reported a loss of Euro 15.1 million, compared to a loss of Euro 16.2 million in 2009.
On October 13, 2010, the Supervisory Institute issued the Company a notification of the violation of Article 132, paragraph 1 of Legislative Decree No. 209 of September 7, 2005, in relation to the non-fulfilment of the legal obligation in relation to certain categories of policyholders or in relation to certain territorial areas. The offence establishes an administrative penalty between a minimum of Euro 1 million to a maximum of Euro 5 million. The company on December 13, 2010, drew up a request for a hearing from Isvap, as established by the relative regulations.
Considering the activities of the company, the contestation is viewed as unfounded.

SYSTEMA Compagnia di Assicurazioni S.p.A. – Milan (direct holding 100%)

The Company operates in the non-life classes through the commercialisation of standardised products distributed by bank partners in accordance with specific contracts.
The premiums written in 2010 amounted to Euro 21.7 million (Euro 14.2 million in 2009, +52.7%).
The Motor TPL class claims/premium ratio deteriorated from 71.2% in 2009 to the current 100.4%, principally following the increase in the average cost of claims paid and the consequent need to strengthen the prior year claims reserve.
In the Other Non-Life Classes claims decreased on the previous year, affected by extraordinary events which hit some policies in the Fire and Natural Elements Class.
The result of the company was affected by the investment income account which in 2010 recorded a charge of Euro 0.2 million compared to income of approx. Euro 0.1 million in the previous year.

The result for the year was a loss of Euro 0.2 million, compared to a profit of Euro 0.5 million in 2009.

IMMOBILIARE MILANO ASSICURAZIONI S.r.l. - Milan (direct holding 100%)

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

2010 centred on the management of the real estate portfolio and the management support and financing activities concerning investments held in real estate sector companies.
A loss was recorded in the year of Euro 15.9 million, affected by impairments for a total of Euro 7.2 million, of which Euro 3.8 million relating to real estate assets and Euro 3.4 million to investments held. Impairments on property were made taking account of the estimated current value of the buildings carried out by a specifically appointed independent expert. Impairments on investments, essentially relating to the subsidiary Sintesi Seconda, were carried out to align the book value to the adjusted net equity as established by an appointed expert.
At December 31, 2010, the real estate assets totalled Euro 267 million and were in the residential, office, commercial and land sectors.

The equity investments principally consist of:

- a holding of 27.2% in Citylife s.r.l., with a book value of Euro 96.4 million. The company, whose shareholders originally include, as well as Immobiliare Milano Assicurazioni Srl, Generali Immobiliare S.p.A (ex Generali Properties S.p.A), Allianz S.p.A (ex Ras S.p.A.) and Lamaro Appalti S.p.A., was awarded the international tender by the Fiera Milano Foundation for the redevelopment of the historic former trade fair area of Milan. The project by Citylife Srl which won the award was of a value of Euro 523 million and was completed with the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora.
  The investment is for approx. Euro 2.2 billion with a total value of production equal to Euro 3 billion.
  In the first half of 2010, Lamaro Appalti sold their entire holding to Generali Immobiliare S.p.A. and Allianz S.p.A., following the revocation by the Fondiaria-SAI Group of the pre-emption right.

Within the context of this revocation and new agreements between the Shareholders, based on a company no longer equally held, Immobiliare Milano Assicurazioni agreed a put option on its shareholding with Generali Properties, in order to reduce the risk of the investment, given the significant size of the investment and its future development. The sales option may be exercised by Immobiliare Milano Assicurazioni until September 30, 2011, in a single transaction and exclusively concerning the entire holding and therefore not comprising a smaller part. The transfer of the share subject to exercise of the option will be based on the condition that the relative authorisations from the competent authorities are granted to Generali Properties and on the prior consent of the Lending Banks, where applicable.

In relation to this project, in 2010, the preliminary activities relating to the new line 5 of the Milan Metro began, in addition to the functional works for the residences at Piazzale Arduino, the Libeskind Residences and the Hadid Residences, the development of the project for the building of a public park and the drawing up of the project for the museum. In addition marketing commenced of the Hadid and Libeskind Residences. The completion of the construction is scheduled for 2015 and the completion of the commercialisation phase is expected by 2016.

In June, the associated company signed with the same banking syndicate a restructuring of the old loan contracts which will allow greater flexibility in the use of the credit lines to cover the project costs.

- a holding of 16.67% in IGLI S.p.A., with a book value of Euro 28.4 million, which holds in turn as its only asset approx. 29.96% of the company Impregilo.

  On June 12, Argo Finanziaria, Autostrade per l'Italia, Immobiliare Fondiaria S.r.l. and Immobiliare Milano Assicurazioni S.r.l. signed a renewal and modification agreement of the shareholder pact which includes all those with a holding in IGLI, previously in place and with expiry on June 12. The new agreement substantially confirms the governance rules already in place. On July 5, 2010 the Antitrust Authority announced that this agreement does not constitute a concentration as defined by article 5 c.1 of Law 287/90.

- the entire share capital of **Sintesi Seconda s.r.l**. with a carrying value of Euro 5.5 million. The Company owns 4 buildings for office and service use situated in Milan;

- a holding of 44.93% in **Borsetto s.r.l**., with a book value of Euro 3.4 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress.

At December 31, 2010, payables to the banking system amounted to Euro 69.3 million, of which Euro 56.7 million due within one year.

CAMPO CARLO MAGNO S.p.A. - Madonna di Campiglio (direct holding 100%)

The Company, acquired by Milano Assicurazioni in December 2005, is owner of a hotel real estate complex at Madonna di Campiglio and of a Golf Hotel. The company signed a rental contract with Atahotels S.p.A. which provides for a fee of 20% of the net annual revenues, with a minimum guaranteed fee. The operation guarantees the company an adequate return on the business, in line with market values for similar operations.
The company recently completed a large restructuring and modernisation project of the hotel real estate complex.
In 2010 the company reported a loss of Euro 59 thousand, due in part to the weakness which continues to impact the hotel sector (loss of Euro 179 thousand in 2009).

SOGEINT – Milan (direct holding 100%)

The Company undertakes commercial assistance to the agencies. Substantial breakeven was recorded in 2010.

Associated companies

IMMOBILIARE LOMBARDA S.p.A. – Milan (direct holding 35.83%)

Following the partial spin-off of 2009 Immobiliare Lombarda adopted a new mission, changing from a mixed real estate operator, as well as captive, of the Fondiaria Sai Group, to a specialised operator in the consultancy and the provision of services relating to the management and development of both Group and third party real estate assets, open to commercial alliances with other real estate operators through which it can expand its presence in the sector.

In 2010, the Company continued its property consultancy activities, particularly to companies belonging to the Fondiaria-SAI Group and concerning the management of contracts for the construction of the Citylife project

A profit of approx. Euro 0.8 million was reported compared to a profit of Euro 7.1 million in 2009. The two sets of data are however not comparable considering the change in the mission of the company following the spin-off on September 30, 2009.

GARIBALDI S.C.A. – Luxembourg (direct holding 32%)

The company is involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale don Sturzo, via Melchiorre Gioia and the local railway station. The project concerns the development of approx. 50,000 sq.m. for office use, 5,000 sq.m. for residential use, 10,000 sq.m. for retail use and 20,000 sq.m. for exposition use.
The holding decreased from approx. 48% at December 31, 2009 to the current 32% following the change in legal status from a S.C.S. (*a limited company*) to a S.C.A. (*a share-based company*) of the associated company and the consequent share capital increase not subscribed by Milano Assicurazioni. The change did not however have any effects on the financial commitments of Milano Assicurazioni towards the associated company nor on the repayment method and the remuneration of the sums paid.
During 2010, the construction work completed involved, among others, the above ground structures of the three principal buildings for office use. Three preliminary rental contracts were also signed with a primary credit institution, for all of the office components of buildings A, B and C in the vicinity of the Gardibaldi Podium and representing approximately 80% of the service sector area of the project. The transactions took place at values in line with the financial plans.

During the year a request to re-designate the exposition use rights of the PII Garibaldi-Repubblica area to private rights (office/residential/retail) was presented. The request was approved by the Building Commission and the approval process should conclude in the first part of 2011.
The residential areas concerning the Blocco Est area were sold to the INPGI Hines Fund and a sales contract was signed with a primary operator for a commercial component at street level under the Garibaldi Podium. Both transactions took place at values in line with the financial plans.
The consolidated result in 2010 was a loss of Euro 2.1 million. This result is principally due to tax charges and the result is in line with this phase of project development.

The funds provided to the company Garibaldi from Milano Assicurazioni up to December 31, 2010 amount to Euro 53.8 million and, following the conversion of the interest bearing loans previously provided, are recorded against Profit Participating Bonds, whose yield is related to the profit which will be achieved by Garibaldi S.C.A. on the real estate project under development.

ISOLA S.C.A. (direct holding 29.56%)

The company, through its subsidiaries, is involved in the "Porta Nuova Isola" real estate project, promoted and managed by the US group Hines. The area concerned is located in Milan, between Via G. De Castillia and Via F. Confalonieri and involves the development of 29,000 sq. m. divided into: 21,900 sq.m. for residential use, 6,300 sq.m for office use and 800 sq. m for retail use.
Also in this case, the reduction in the holding on December 31, 2009 (43%) is due to the changing in the legal form of the associated company which occurred in a similar manner to that described for Garibaldi S.C.A. and which does not alter the financial commitments and the repayment methods and remuneration.
In 2010, the tender was awarded for the building of the private works and the initial preliminary building phase began in line with the schedule. Also in 2010 the sales phase of the first residential lot began, comprising approx. 17 apartments for a value of approx. Euro 20 million.
The works on the high quality standard building called the *Incubator for the Arts,* whose completion is scheduled for the first half of 2011, continued in line with that programmed.
During the year, extensions of the credit lines for the project were signed, in accordance with that established by the relative contracts.
The consolidated result in 2010 was a loss of Euro 3.1 million, following the operating costs incurred for the development of the real estate project.
The funds provided to the company Isola from Milano Assicurazioni up to December 31, 2010 amount to Euro 14.3 million and, following the conversion of the interest bearing loans previously provided, are recorded against Profit Participating Bonds, whose yield is related to the profit which will be achieved by Isola S.C.A. on the real estate project under development.

ATAHOTELS S.p.A. - Milan (direct holding 49.00%)

In 2010 the company reports a loss of Euro 52.1 million compared to a loss of Euro 27.3 million in 2009.

The above result includes amortisation and depreciation of Euro 12.2 million (essentially for restructuring works and improvements of managed structures) and write-downs of receivables and fixed assets for Euro 13.1 million, particularly against the estimated impossibility of recovery, with future operating cash flows, excluding investments carried out on some structures. Net financial charges of Euro 1.1 million and write downs of investments of Euro 2.1 million also impacted the result.

Due to the combined effect of the losses recorded and share capital injections by shareholders for Euro 30 million, the shareholders' equity at December 31 was a negative value of Euro 11.8 million.
Production costs exceeded the value of production by Euro 47.2 million, compared to costs exceeding the value of production by Euro 30.3 million in 2009. The EBITDA amounts to

approx. 25% of revenues (19% in 2009) at Euro 26.9 million (41% on 2009).

Total hotel revenues amounted to Euro 110.7 million, an increase of 6.4% on Euro 104.8 million in the previous year.

This data is substantially in line with the other major hotel chains. Overall, Atahotels succeeded in defending its market position well, despite the significant crisis in the congress sector, in which the Company holds a leadership position.
In particular, within a still weakened market, the Company substantially complied with the projected budget until April, while from May, a general reduction in revenues, in particular in the Milan area occurred, due principally to the significant contraction of the congress sector, in which the Company holds a strong position nationally.
In relation to the Vacation business, which comprises a significant share of Company revenues, a varied performance was seen within a holiday market which decreased 11% (ISTAT data of February 2011). The Atahotel Capotaormina recorded significant growth (+26%), while the Tanka Village recorded revenues in line with 2009 and the Naxos Beach Resort reporting a decrease in revenues of approx. 6% due principally to the drop in Northern European visitors.
Atahotels decided not to follow the market trend of reduced prices, deciding against smaller margins so as not to reduce average sales margins, with hopes of an upturn from 2011.
All resorts, with large numbers of meeting rooms, were affected by the congress market crisis, in part offset by the growth in individual tourist demand.

The company performance improved from October for the business areas, which saw significant improvements on the same period of 2009. The most significant growth took place in the corporate segment, thanks to the activities carried out in the business travel market and in online sales.
The recovery in the congress segment remained tentative, due principally to the weakness in revenues compared to the budget; Companies - both public and private - which significantly cut their convention and travel incentives continue to be affected by the uncertainty of the economic situation.

During the year, the measures introduced in the middle of 2009 were strengthened in order to re-establish profitability through the development of revenues, the reduction of costs and the rationalisation of processes, also focusing the activities of the Company within the hotel business and on additional profits.

The interventions made on the revenue front included:

- The development of the commercial network, which involved a total review of the sales organisation, with a more extensive geographic reach and catering more specifically to the client segments and distribution channels and the concentration of activities at the central office;
- Revenue management activity, also through dedicated management instruments, have focused on optimisation of tariffs within a sluggish environment and among growing competition;
- The introduction of web and direct marketing strategies through the creation of a centralised client database;
- The promotion of online sales which increased by over 18% on the previous year, also thanks to a full overhaul and development of the company website. In particular in the last 4-month period, the increase in sales on the Atahotels website doubled;
- The selective purchase of advertising spaces, achieving significant savings on promotional campaigns also through the use of a group company;
- The commencement of the redevelopment project of some buildings, beginning with the Tanka Village and the Atahotel Villa Pamphili.

On the cost side, we highlight the centralisation of some staff functions with savings in terms of resources and the optimisation of processes, as well as the outsourcing of some hotel services in order to render the relative costs more flexible and link them more closely to revenues. The hotel rental contracts with both companies of the Fondiaria-Sai Group and third parties are also currently being reviewed.

The effect of the above-stated actions is only partially reflected in the 2010 financial statements, affected by extraordinary charges, which will become more apparent in 2011.
The benefits in terms of efficiency and quality of service are however increasingly evident and Atahotels today has a more efficient structure, more modern, more solid, with clear and uniform procedures and with more stable IT systems and more detailed management control processes. In addition, the department centralisation activities have improved the contribution and the professionalism of personnel operating in the chain structures.

Taking account of the 2010 performances and results the Board of Directors of Atahotels has approved a request to shareholders for a recapitalisation of Euro 26.8 million in order to support the operating needs, at least in the short-term. The share of Milano Assicurazioni amounts to Euro 13.1 million.

VALORE IMMOBILIARE S.r.l. – Milan (direct holding 50%)

The company was incorporated in December 2008 by the FONDIARIA-SAI Group, through Milano Assicurazioni and the Generali Group which holds equal shareholdings of 50%. In December three buildings were purchased from A7 S.r.l. (incorporated with equal holdings of Immobiliare Lombarda, Generali Properties, Alleanza Assicurazioni, Barclays and IM.CO. – as a vehicle for the acquisition in December 2005 of part of the real estate portfolio of Alleanza Assicurazioni). The buildings are located in Milan, Piazza Firenze n. 6, Via Caracciolo n. 16 and Via Cagliero n. 3 and in Rozzano (MI), Via Montepenice n. 6-8-10 – and for a total price of Euro 25.2 million confirmed by independent experts employed by the purchasers.
A loss of Euro 0.2 million was recorded for 2010.

Transactions with related parties

The principal transactions with related parties, as defined by International Accounting Standards No. 24 (Disclosures on operations with related parties) and article 2, letter h) of Consob Resolution 11971 of May 14, 1999 are shown below.

The account land and buildings at December 31, 2010 comprises:

- Euro 102.5 million of payments on account in previous years to the Company "Avvenimenti e Sviluppo Alberghiero S.r.l." in relation to the execution of the real estate contracts on the building areas at Via Fiorentini, Rome. We recall that this operation, undertaken in 2003, included the sale to "Avvenimenti e Sviluppo Alberghiero S.r.l." of a site and the purchase of the completed real estate complex under construction on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009. As the shareholders of Avvenimenti e Sviluppo Alberghiero s.r.l deems it to be a related party of the Company, in addition to the parent company Fondiaria-SAI, fairness and legal opinions from expert advisors were obtained for this operation. The fairness opinions confirmed the appropriateness of the sales price of the areas and the purchase price of the building under construction.

- Euro 52.1 million of payments on account (Euro 41 million concerning previous years and Euro 11.1 relating to the current year) to "IM.CO. S.p.A." in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola).
  In relation to this operation it is recalled that on December 22, 2005 Milano Assicurazioni sold to IM.CO. at a price of Euro 28.8 million including VAT, the above indicated land in Milan, located in the three streets Confalonieri, De Castillia and Sassetti, of an area of 8,891 sq.m., included in section A/2 of the Integrated Intervention Programme called "Isola de Castillia".
  Subsequently on November 15, 2006, following the attainment by the potential seller of the Building License, Milano Assicurazioni purchased from IM.CO. at the price of Euro 93.7 million, plus VAT, full property rights for that to be completed on the site in question, comprising a building for service sector use, consisting of a tower building with the development of twelve floors as well as a ground floor and a mezzanine level, with the ground floor containing a gallery with related commercial space, in addition to parking and storage in the 3 underground floors.

The operation was, prior to its completion, examined and approved, in accordance with the corporate governance principles adopted by the insurance company, by the Board of Directors in the meetings of October 20, 2005 and November 10, 2005.
In the execution of the works, whose completion was originally scheduled for April 30, 2008, the parties by common agreement and in order to ensure the highest quality of the building agreed to some changes which regard to the qualitative aspects of the complex. In order to carry out the changes, it was necessary to agree with the selling party an extension to the deadline – approved by the Board in the meeting of February 18, 2009 - which takes account also of the suspension of work order issued by the Municipality of Milan following the judgment of the Lombardy Regional Administrative Court No. 5438 of July 26, 2007, in a parallel judgment to that against Milano Assicurazioni for a breach of the Urban Convention signed by the same Milano Assicurazioni. The judgement was deemed invalid by subsequent decisions of the Council of State.
On January 29, 2009, in execution of the sequestration decree filed by the Preliminary Hearing Judge, the deeds to the building under construction were turned over with consequent suspension of works and review of the completion date which, in accordance with the agreements between the parties, would be renegotiated upon the occurrence of such an event.
On October 30, 2009, in line with the execution order of the Public Prosecutor, following the ruling of the Re-examination Court, which judged the conclusions of the Preliminary Hearing Judge invalid and validated the procedure adopted by the Municipality, the Police de-sequestered the site and subsequently, on October 6, 2010 the Court of Milan absolved the persons involved in the case.
In recent months the parties agreed on a review of the project. The initiative is in fact located in the area next to that relating to the “Porta Nuova Isola” Project which, together with the “Porta Nuova Garibaldi” and “Porta Nuova Varesine” projects, comprises part of an extensive urban redevelopment of the area with the building of new service, residential, commercial and hotel buildings and the creation of an urban park with cultural and exposition spaces. The area has therefore seen in 2009 development as well as an extensive evolution of the market, significantly benefitting from a central location with a high degree of accessibility, a mix of uses and the availability on the market of new surface area, in addition to the future developments within the city of Milan.
It is therefore necessary to amend the architectural characteristics of the building, taking account of the usage, in order to allow maximum flexibility of the internal spaces and therefore to create a building which can facilitate a wide range of possible tenants, in line with market developments.

The amendments to the project do not modify the overall surface area, but increase the space earmarked for office use and redistribute the other uses, without which the building would have had to have been demolished.
The parties agreed that the above-stated amendments of an architectural and functional nature would result in charges of Euro 5.4 million, an amount which includes also the charges and write-offs between the parties in the period before the halting of building as well as the consequent delayed completion of the building as a result of the new project, with the scheduled completion date postponed to December 31, 2012. Therefore the sales price applicable at the moment of transfer of ownership of the complex, based on the new project, was reviewed and agreed at Euro 99.1 million, plus taxes.
As IM.CO. is considered a related party of the Company, the operation is considered by Milano Assicurazioni in accordance with the recently adopted regulations issued by CONSOB and subject therefore to specific procedures.
The operation therefore required an independent expert to prepare a fairness opinion to verify that the sales value of the asset at December 31, 2012 is in line with the market value, and in particular, to verify the price difference of Euro 5.4 million. The independent expert appointed for the preparation of the opinion outlined above (Scenari Immobiliari) declared that the most probable market value of the building at December 31, 2012 was Euro 99.1 million, confirming therefore the higher overall price.
In order to formalise the terms and conditions concerning the execution of the amendments and integrations to the project, and subject to the granting of the necessary authorisations, it was also necessary that Milano and IM.CO. signed a notarised partial amendment deed of the sales contract of 2006 in order to adjust the terms and conditions contained in the above-stated agreement, both concerning the amendments to be made to the project and for the determination of the sales price of the property complex, in addition to the payment and delivery deadlines. Where the new permissions are not granted within pre-established deadlines, the parties agreed to sign in good faith a notarised supplementary deed of the contract signed in 2006, regarding the original deeds, the terms and conditions of delivery of the property complex, including the new completion date, as well as the payment of the balance, based on the new state of advancement of works which was agreed in good faith between the parties, with the price of the original project remaining unchanged, as well as the other rights and obligations of the parties which governed the above stated contract of 2006.
In order to establish the details of the contract, the parties struck an agreement to sign a private contract to govern the above-stated eventualities and consequently established the terms and conditions upon which a partial amendment deed will be signed or, as an alternative, a separate supplementary deed of the original deed of 2006.

Also in relation to the operation, a legal opinion was requested from the Raynaud & Partners Law Firm to establish the adequacy of the legal opinion from a civil law point of view of the Private Contract, in order to establish that the conditions were in line with those that would have been agreed between non related parties. The Raynaud & Partners Law Firm issued a positive legal opinion concerning the above-stated deed.

* * *

The principal transactions with the parent company, subsidiaries, associated companies, group companies, other investments and other related parties are summarised below. They principally relate to:

- transactions related to reinsurance activities, all at market prices;
- charges, income and consequent debtor/creditor balances related to the division between the companies of the Fondiaria-SAI Group of the cost of the general services;
- credit and debit balances deriving from the involvement by Milano Assicurazioni in the Fondiaria-SAI Group tax consolidation.

(in Euro thousands)

	Assets	Liabilities	Revenues	Costs
Holding companies				
Fondiaria-Sai	173,014	47,887	16,908	18,907
Subsidiary companies				
Dialogo	4,771	8,184	13,789	17,295
Systema	3,668	3,579	9,721	8,796
Liguria	6,111	-	1,623	-
Sogeint	4,388	979	-	963
Other subsidiaries	891	-	8,680	7,762
Group companies	413,215	127,789	169,120	203,474
Associated companies	68,100	-	-	-
Other holdings	621	-	3	1
Other related parties	156,340	6,280	11,085	9,370

Fondiaria-Sai
The assets refer principally to:
- The inter-group balances following the adherence, by Milano Assicurazioni, to the tax consolidation of the Fondiaria-SAI Group (Euro 93,071 thousand credit for payments on account paid and Euro 5,742 thousand paid for group VAT receivables);
- receivables and reserves related to reinsurance transactions, for Euro 60,642 thousand;

The liabilities relate to:
- payables for services received of Euro 6,888 thousand;
- payables and reserves deriving from reinsurance and co-insurance transactions of Euro 40,999 thousand.

The revenues principally include dividends received on Fondiaria-SAI shares held in portfolio (Euro 3,993 thousand), recovery of expenses (Euro 1,618 thousand) and reinsurance (Euro 11,177 thousand).

The costs relate to reinsurance transactions (Euro 10,500 thousand), overhead costs (Euro 6,888 thousand) and financial charges (Euro 1,449 thousand).

Subsidiary companies
Transactions with Dialogo Assicurazioni and Systema Assicurazioni essentially relate to reinsurance operations.
The transactions with Liguria Assicurazioni principally regard seconded personnel and services provided.

Group companies
The transactions with group companies principally include:
- reinsurance transactions, particularly in relation to the Group company The Lawrence Re and in particular: reinsurers receivables and reserves (Euro 187,176 thousand); payables and reserves on indirect business (Euro 30,325 thousand); technical reinsurance costs (Euro 104,897 thousand); technical reinsurance revenues (Euro 85,175 thousand).
- recharges relating to the consortium company Fondiaria-Sai Servizi Group (Euro 83,828 thousand for recharges made and Euro 95,552 thousand for recharges received);
- bank deposits at BancaSai (Euro 115,452 thousand) and bonds issued by BancaSai (Euro 21,107 thousand).

Associated companies
The assets comprise Profit Partecipating Bonds issued by the associated companies Garibaldi S.A.C. and Isola S.C.A. which are currently developing property projects in Milan.

Other related parties
The assets principally include the total payments on account in the year and in previous years paid to the companies *IM.CO. and Avvenimenti e sviluppo alberghiero* in relation to the real estate operations in Milan, Lunetta dell'Isola and Rome, Via Fiorentini.

The above-mentioned operations have already been commented upon in the present report.

The costs principally include remuneration of Directors, Statutory Auditors and Executives with strategic responsibilities. Revenues principally relate to premiums concerning contracts signed by the Employee Pension Fund of the Fondiaria-SAI Group.

* * *

Finally, in accordance with Consob communication No. DEM/6064293 of July 28, 2006, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

Milan, March 22, 2011

MILANO ASSICURAZIONI S.p.A.
For the Board of Directors

Proposals to the Shareholders' AGM

MILANO ASSICURAZIONI

DIRECTORS' REPORT

on the proposals relating to the Matters on the Agenda of the Shareholders' Meeting called in ordinary session for April 27, 2011 at the time of 11 AM, in first call, at the Atahotel Executive in Milan, Viale Don Luigi Sturzo No. 45, and where necessary on April 28, 2011, at 9 AM in the same place, in second call.

PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING

Dear Shareholders,

1. Financial statements at December 31, 2010.
Board of Directors' Report on Operations.
Report of the Board of Statutory Auditors and Independent Auditors' Report.
Resolutions thereon.

Having reviewed the Directors' Report and the Report of the Board of Statutory Auditors, pursuant to Legislative Decree No. 58/1998 and having reviewed the independent auditors' report (all documents available to the shareholders, together with the financial statements in accordance with the manner and provisions established by law), we invite you to approve the financial statements at December 31, 2010, which record a loss of Euro 512,679,407.27 – comprising a loss of Euro 62,235,381.14 in the Life Division and a loss of Euro 450,444,026.13 in the Non-Life Division.

We therefore propose to cover the 2010 loss through the use of the equity reserves of the Life and Non-Life Divisions, in the manner set out below:

	Life	Non-Life	Total
Loss in the year	**-62,235,381.14**	**-450,444,026.13**	**-512,679,407.27**
Use of the extraordinary Life division reserve to partially cover the Life Division loss	62,027,816.37		62,027,816.37
Use of the revaluation reserve as per Law 72/1983 to cover the residual loss of the Life Division	207,564.77		207,564.77
Use of the extraordinary Non-Life division reserve to partially cover the Non-Life Division loss		85,290,105.55	85,290,105.55
Use of the following Non-Life Division merger reserves to partially cover the Non-Life Division loss:			
Previdente Vita merger reserve		63,816,906.45	63,816,906.45
Immobiliare Lira merger reserve		2,687,077.44	2,687,077.44
Italia Assicurazioni merger reserve		21,872,607.90	21,872,607.90
Nuova Maa merger reserve		152,886,512.75	152,886,512.75
Sasa merger reserve		71,889,105.00	71,889,105.00
Meridiano Eur merger reserve		7,070,026.60	7,070,026.60
Meridiano Orizzonti merger reserve		4,696,862.81	4,696,862.81
Use of the revaluation reserve as per Law 342/2000 to partially cover the loss of the Non-Life Division		1,068,983.36	1,068,983.36
Use of the share premium reserve to cover the residual loss of the Non-Life Division		39,165,838.27	39,165,838.27

2. Appointment of the Board of Directors and relative resolutions.

On the Shareholders' Meeting approval of the financial statements as at December 31, 2010 the three-year term of the Board of Directors mandated by the Shareholders' Meeting of April 21, 2008 expires.

We therefore invite you to resolve upon - in accordance with the provisions of law and regulations, as well as the company by-laws - the appointment of the Board of Directors for the years of 2011, 2012 and 2013 - and therefore until the approval of the financial statements for the year ended December 31, 2013. In accordance with article 12 of the company by-laws, which provides for a voting mechanism of slates, in order that, pursuant to current regulations, one director is elected by the minority.

We also recall that the company By-Laws provide that the Board of Directors is composed of no more than 19 and no less than 9 members.

We also recall in accordance with the company by-laws, that the slates containing the list of candidates must be filed at the registered office of the company in Milan, via Senigallia, No. 18/2, or through e-mail to the certified email address gruppofondiaria-sai@legalmail.it at least twenty-five days before the date fixed for the Shareholders' Meeting in first call by shareholders which, alone or together with other shareholders presenting the slate, provide evidence of holding at least 2.5% of the share capital with voting rights at the ordinary shareholders' meeting.

Also in accordance with article 12 of the Company By-Laws, the shareholders wishing to present a slate must file, together with each list, (i) the declaration of the candidates accepting their candidature and which declare, under their own responsibility, the inexistence of any causes for ineligibility and of incompatibility, as well as the existence of the necessary requisites for the respective offices; (ii) a curriculum vitae containing the personal and professional characteristics of each candidate and whether they qualify as independent directors.

Together with each slate – also subsequently to the filing of the slate although within 21 days of the date fixed for the Shareholders' Meeting in first call – the certification or declaration issued by an intermediary appointed in accordance with law must be produced, proving ownership of the percentage of share capital required by the applicable regulations at the time of presentation.

In accordance with Article 12 of the By-Laws, as the company is subject to the direction and control of FONDIARIA-SAI S.p.A., each slate must comprise a majority of independent directors, i.e. those who in accordance with the applicable regulations are considered independent under the Self-Governance Code for listed companies to which the company complies, with the exception of those who hold the office of director in FONDIARIA-SAI S.p.A., with express indication of these independent directors. No independent candidate may be allocated the last progressive number on the slate.

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

3. Resolutions on the remuneration of the Board of Directors.

We invite you to determine the annual remuneration of the Board of Directors appointed by You, for the duration of the appointment.

The division of the remuneration between the Directors and the members of the Executive Committee of the Board of Directors will be established by the Board.

4. Appointment of the Board of Statutory Auditors and the Chairman for the years 2011/2012/2013 and determination of remuneration.

On the approval of the financial statements as at December 31, 2010, the three-year period of the Board of Statutory Auditors mandated by the shareholders’ meeting of April 21, 2008 expires.

We therefore invite you to resolve upon - in accordance with the provisions of law and regulations, as well as the company by-laws - the appointment of the Board of Statutory Auditors and its Chairman for the years of 2011, 2012 and 2013 - and therefore until the approval of the financial statements for the year ended December 31, 2013 - with the prior determination of remuneration of the Board.

Article 21 of the company by-laws, provides for a voting mechanism of slates, in order that, pursuant to current regulations, one standing member and one alternate member of the Board of Statutory Auditors is elected by the minority slate and the Chairman of the Board is the standing member elected from that slate.

We recall that the by-laws provide that the Board of Auditors consists of three standing auditors and two alternate auditors.

We also recall in accordance with the company by-laws, that the slates containing the list of candidates must be filed at the registered office of the company in Milan, via Senigallia, No. 18/2, or through e-mail to the certified email address gruppofondiaria-sai@legalmail.it at least twenty-five days before the date fixed for the Shareholders’ Meeting in first call, by shareholders which, alone or together with other shareholders presenting the slate, provide evidence of holding at least 2% of the share capital with voting rights at the ordinary shareholders’ meeting.

Also in accordance with Article 21 of the Company By-Laws, the shareholders that wish to present a slate must file exhaustive information on the professional and personal characteristics of each candidate, the declarations in which each candidate accepts their candidature and declare, under their own responsibility, the inexistence of causes of ineligibility and incompatibility, as well as the existence of the regulatory and statutory requisites required to hold the office of statutory auditor and the list of offices held as director or statutory auditor in other companies.

Together with each slate – also subsequently to the filing of the slate although within 21 days of the date fixed for the Shareholders' Meeting in first call – the certification or declaration issued by an intermediary appointed in accordance with law must be produced, proving ownership of the percentage of share capital required by the applicable regulations at the time of presentation.

The shareholders presenting a “minority slate” are governed also by Consob communication No. DEM/9017893 of February 26, 2009. In particular, those presenting a “minority slate” must attach a declaration certifying the absence of any relationships contained in Article 144 of the Consob Issuers’ Regulations with the shareholder who holds (or shareholders who hold jointly) a relative majority shareholding.

In the case in which at the deadline for the presentation of slates, only one slate has been filed, or only slates presented by the shareholders which are related in accordance with Art. 144 of the Consob Issuers’ Regulations, slates may be presented until the third subsequent day; in this case the threshold for presentation of slates is reduced to 1% of the share capital with voting rights.

5. Resolutions in relation to treasury shares in accordance with article 2357 and 2357-ter of the Civil Code.

In compliance with Your previous resolutions, Your Company, at the date of the present report, holds 6,764,860 ordinary shares, equal to 1.214% of the ordinary share capital and 1.150% of the entire share capital. The Company does not hold any savings shares.

The average unit carrying value of the ordinary shares held by the Company is Euro 1.195. The official market price of the share at March 21, 2011 was Euro 1.1854.

On April 22 2011, the twelve-month period fixed by the Shareholders' Meeting of the Company of April 22, 2010 for the purchase and sale of treasury shares will expire.

We propose you to authorise, in accordance with Articles 2357 of the civil code, further purchases of ordinary and/or savings treasury shares, in one or more tranches for a period of twelve months from the date of the resolution, in accordance with the programme illustrated below.

We also propose to authorise the sale, where required, of the treasury shares currently held in portfolio, as well as those purchased following the Shareholders' Meeting resolution.

The request to renew authorisation for purchase and utilisation of treasury shares has the purpose of:

- in relation to the purchases, to avail of further investment opportunities relating to the liquidity from time to time of the share and of the trend in the share price and the market.
- in relation to the utilisation the objective is to achieve, where possible, positive results.

In accordance with article 144-*bis* of Consob Resolution No. 11971/1999, the purchases will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell. Blocking sales are also excluded.

We therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of treasury shares and/or saving shares, for a maximum number, taking into account any sales in the meantime, of 5,000,000 ordinary and/or saving shares, within the maximum amount of Euro 10,000,000, and in accordance with the limits as per article 2357 of the civil code.

We propose also the authorisation of sales, on the market and/or to third parties for the above stated purposes, of ordinary and/or savings shares held in portfolio, in a manner believed most suited for the needs of the Company and however in compliance with regulations.

The maximum number of treasury shares which may be acquired above is the difference between the treasury shares acquired and those sold as authorised by the Shareholders' Meeting and therefore must refer to the additional number of treasury shares which the company can hold at any particular time.

We propose that each purchase is carried out for a unitary amount not above 5% of the average price recorded on the Borsa Italiana system in the three sittings preceding each single operation.

With regard to the sales, we propose that:
- in the case of sales on the market, such are carried out at a price not lower than 5% than the average price recorded by the Borsa Italiana system in the three sittings prior to each single operation;
- in the case of sales to third parties, such are carried out at a price not lower than 5% than the average price recorded by the Borsa Italiana system in the five sittings prior to each single operation.

A total number of share may not be acquired above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis, for the duration of the programme. These limits are applicable also in the case of sale of treasury shares on the market.

In any case, in accordance with article 2357, paragraph 3 of the civil code, the total nominal value of the treasury shares, also taking into account those held by subsidiary companies, may not exceed 20% of the share capital. All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases We propose - with prior elimination, for the amount that at April 22, 2011 will mature from the previous authorisation, of the "Reserves for treasury shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 10,000,000 to the "Reserve of treasury shares to be purchased", from the "Extraordinary reserve", from which We also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to Article 2357 of the civil code in the case of revaluation of the treasury shares after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buy-back programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, total maximum value, maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders' Meeting, and therefore in compliance with law, the Company will also communicate to the market information on the outcome of the programme.

6. Resolutions on the shares of the direct parent company Fondiaria-SAI S.p.A. pursuant to Article 2359-bis of the Civil Code.

In compliance with Your previous resolutions, Your Company, at the date of the present report, holds 9,982,557 ordinary shares of the direct holding company Fondiaria-SAI S.p.A., equal to 8.019% of the ordinary share capital of this latter and 5.976% of the entire share capital.

The unit carrying value of the ordinary shares of the direct parent company Fondiaria-SAI held by the Company was Euro 18.258. The official market price of the share at March 21, 2011 was Euro 6.8015.

On April 22, 2011 the twelve-month period fixed by the Shareholders' Meeting of the Company of April 22, 2010 for the purchase and sale of shares of the direct holding company Fondiaria-SAI terminates.

We propose to authorise, in accordance with Article 2359 bis of the civil code, further purchases of ordinary and/or savings shares of the direct holding company Fondiaria-SAI, in one or more tranches for a period of twelve months from the date of the resolution by the Shareholders' Meeting, in accordance with the programme illustrated below.

We also propose to authorise the sale, where required, of the ordinary and/or savings shares of the direct holding company Fondiaria-SAI currently held in portfolio, as well as those which will be purchased following the Shareholders' Meeting resolution.

The request of renewal of the authorisation to purchase and sell shares of the direct holding company Fondiaria-SAI has the objective, with relation to the purchase, to avail of further opportunities of investments relating to the liquidity from time to time of the share and of the trend in the share price and the market and with regard to the sale, the achievement of positive results.

In accordance with Article 144-*bis* of Consob Resolution No. 11971/1999, the purchases and sales will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell. Blocking sales are also excluded.

We therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of shares of the direct holding company Fondiaria-SAI, for a maximum increase, taking into account any sales in the meantime, of 250,000 ordinary and/ or savings shares of a nominal amount of Euro 1 each, within the maximum amount of Euro 2,500,000, and in accordance with the limits as per Article 2359 of the civil code.

The maximum number of shares of Fondiaria-SAI acquired as above is determined as the difference between the Fondiaria-SAI shares acquired and those sold authorised by the Shareholders' Meeting and therefore must refer to the additional number of Fondiaria-SAI shares which the company can hold at any particular time.

We propose that each purchase is made for a unit payment not above 5% compared to the average reference price recorded on the Borsa Italiana system in the three previous trading days before each single operation and the sales are made at a price which must not be lower than 5% compared to the average reference price recorded on the Borsa Italiana system in the three trading prior days to each operation.

With regard to the volumes, a total number of shares may not be acquired or sold above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis, for the duration of the programme.

In any case, in accordance with Article 2359 bis, paragraph 3 of the civil code, the total nominal value of the shares of the holding company Fondiaria-SAI, also taking into account those held by the same company and its subsidiary companies, may not exceed 20% of the share capital of the same Fondiaria-SAI. All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases We propose - with prior elimination, for the amount that at April 22, 2011 will mature from the previous authorisation, of the "Reserves for holding company shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 2,500,000 to the "Reserve for holding company shares to be purchased", from the "Extraordinary reserve", from which We also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to article 2359 bis of the civil code in the case of revaluation of the shares of the direct holding company Fondiaria-SAI after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buy-back programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, total maximum value, maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders' Meeting, and therefore in compliance with law, the Company will also communicate to the market information on the outcome of the programme.

7. Resolutions on the shares of the indirect parent company Premafin Finanziaria S.p.A pursuant to article 2359 of the Civil Code.

In compliance with Your previous resolutions, Your Company, at the date of the present report, holds 9,157,710 ordinary shares of the indirect holding company Premafin Finanziaria S.p.A. (hereafter: Premafin) equal to 2.232% of the share capital.

The average unitary carrying value of the ordinary shares of the indirect parent company Premafin held by the Company is Euro 0.769. The official market price of the share at March 21, 2011 was Euro 0.6222.

On April 22, 2011 the twelve-month period fixed by the Shareholders' Meeting of the Company of April 22, 2010 for the purchase and sale of shares of the indirect holding company Premafin terminates.

We propose to authorise, in accordance with Article 2359 bis of the civil code, further purchases of shares of the indirect holding company Premafin and/or savings treasury shares, in one or more tranches for a period of twelve months from the date of the Shareholders' Meeting resolution, in accordance with the programme illustrated below.

We also propose to authorise the sale, where required, of the shares of the indirect holding company Premafin currently held in portfolio, as well as those which will be purchased following the resolution of the Shareholders' Meeting.

The request of the renewal of the authorisation to purchase and sell shares of the indirect holding company Premafin has the objective, with relation to the purchase, to avail of further opportunities of investments relating to the liquidity from time to time of the share and of the trend in the share price and the market and with regard to the sale, the achievement of positive results.

In accordance with article 144-*bis* of Consob Resolution No. 11971/1999, the purchases and sales will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell. Blocking sales are also excluded.

We therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of shares of the indirect holding company Premafin, for a maximum increase, taking into account any sales in the meantime, of 500,000 shares, without allocation of a nominal amount, within the maximum amount of Euro 500,000, and in accordance with the limits as per Article 2359 of the civil code.

The maximum number of shares of the indirect holding company Premafin acquired as above is determined as the difference between the Premafin shares acquired and those sold authorised by the Shareholders' Meeting and therefore must refer to the additional number of Premafin shares which the company can hold at any particular time.

We propose that each purchase is made for a unit payment not above 5% compared to the average reference price recorded on the Borsa Italiana system in the three previous trading days before each single operation and the sales are made at a price which must not be lower than 5% compared to the average reference price recorded on the Borsa Italiana system in the three trading prior days to each operation.

With regard to the volumes, a total number of shares may not be acquired or sold above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis, for the duration of the programme.

In any case, in accordance with Article 2359 bis, paragraph 3 of the civil code, the total nominal value of the shares of the indirect holding company Premafin, also taking into account those held by the same company and its subsidiary companies, may not exceed 20% of the share capital of the same Premafin. All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases we propose - with prior elimination, for the amount that at April 22, 2011 will mature from the previous authorisation, of the "Reserves for holding company shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 500,000 to the "Reserve for holding company shares to be purchased", from the "Extraordinary reserve", from which we also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to article 2359 bis of the civil code in the case of revaluation of the indirect holding company Premafin shares after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buy-back programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, total maximum value, maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders' Meeting, and therefore in compliance with law, the Company will also communicate to the market information on the outcome of the programme.

Milan, March 22, 2011

MILANO ASSICURAZIONI S.p.A.
For the Board of Directors

FINANCIAL STATEMENTS

- ***Balance Sheet***
- ***Income Statement***

BALANCE SHEET

ASSETS

							Current year
A. RECEIVABLES FROM SHAREHOLDERS FOR UNPAID CAPITAL							1 0
of which called in			2	0			
B. INTANGIBLE ASSETS							
1. Acquisition commissions to be amortised							
a) life division	3	1,004,675					
b) non-life division	4	0	5	1,004,675			
2. Other acquisition expenses			6	0			
3. Formation and start-up costs			7	0			
4. Goodwill			8	39,550,049			
5. Other deferred costs			9	1,059,996			10 41,614,720
C. INVESTMENTS							
I - Land and buildings							
1. Property used for business activities			11	2,843,505			
2. Property used by third parties			12	551,864,034			
3. Other buildings			13	438,689			
4. Other property rights			14	0			
5. Assets in progress and payments on account			15	156,838,237	16	711,984,465	
II - Investments in group companies and in other holdings							
1. Shares and holdings in companies							
a) holding companies	17	189,305,802					
b) subsidiaries	18	595,620,819					
c) group companies	19	31,699,006					
d) associated companies	20	10,363,571					
e) other	21	239,243	22	827,228,441			
2. Bonds issued by:							
a) holding companies	23	0					
b) subsidiaries	24	0					
c) group companies	25	21,107,280					
d) associated companies	26	68,100,100					
e) other	27	0	28	89,207,380			
3. Loans to:							
a) holding companies	29	0					
b) subsidiaries	30	0					
c) group companies	31	0					
d) associated companies	32	0					
e) other	33	0	34	0	35	916,435,821	
				to carry forward			41,614,720

Previous year

						181	0
		182	0				
183	1,915,883						
184	0	185	1,915,883				
		186	0				
		187	0				
		188	58,451,711				
		189	1,266,509			190	61,634,103
		191	8,239,000				
		192	560,904,426				
		193	438,689				
		194	0				
		195	145,598,217	196	715,180,332		
197	238,842,467						
198	767,459,690						
199	40,508,160						
200	14,936,518						
201	240,048	202	1,061,986,883				
203	0						
204	0						
205	1,394,715						
206	45,760,800						
207	0	208	47,155,515				
209	0						
210	0						
211	0						
212	12,384,314						
213	0	214	12,384,314	215	1,121,526,712		
			to carry forward				61,634,103

BALANCE SHEET

ASSETS

								Current year		
							carried forward			41,614,720
C. INVESTMENTS (cont.)										
III. - Other financial investments										
1. Shares and quotas										
a) Shares listed	36	611,104,119								
b) Shares not listed	37	151,614								
c) Quotas	38	1,770,972	39	613,026,705						
2. Investment fund units			40	669,278,719						
3. Bonds and other fixed-income securities										
a) listed	41	5,618,077,708								
b) not listed	42	39,036,329								
c) convertible bonds	43	40,229,192	44	5,697,343,229						
4. Loans										
a) secured loans	45	38,536								
b) loans on policies	46	24,626,674								
c) other loans	47	2,870,130	48	27,535,340						
5. Quotas in mutual investments			49	0						
6. Deposits at credit institutions			50	0						
7. Other financial investments			51	56,240	52	7,007,240,233				
IV - Deposits with reinsuring companies					53	2,487,788	54	8,638,148,307		
D. INVESTMENTS FOR THE BENEFIT OF LIFE ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS										
I - Investments relating to the performance of investments funds and market indices					55	226,043,047				
II - Investments derived from pension fund management					56	13,906,429	57	239,949,476		
D bis. TECHNICAL RESERVES - REINSURANCE AMOUNT										
I - NON LIFE DIVISION										
1. Unearned premium reserve			58	37,951,274						
2. Claims reserve			59	236,711,938						
3. Reserve for profit sharing and reversals			60	0						
4. Other technical reserves			61	0	62	274,663,212				
II - LIFE DIVISION										
1. Actuarial reserves			63	81,738,539						
2. Reserves for complementary insurances			64	0						
3. Reserve for claims to be paid			65	3,587,051						
4. Reserve for profit sharing and reversals			66	0						
5. Other technical reserves			67	0						
6. Technical reserves where the investment risk is borne by the policyholders and relating to the administration of pension funds			68	0	69	85,325,590	70	359,988,802		
							to carry forward			9,279,701,305

Previous year

			carried forward				61,634,103
216	632,004,916						
217	1,854,904						
218	1,770,972	219	635,630,792				
		220	722,343,963				
221	5,646,487,603						
222	37,565,087						
223	50,819,918	224	5,734,872,608				
225	43,945						
226	27,986,078						
227	2,926,816	228	30,956,839				
		229	0				
		230	0				
		231	45,128,671	232	7,168,932,873		
				233	2,221,790	234	9,007,861,707
				235	274,192,195		
				236	9,157,186	237	283,349,381
		238	36,685,689				
		239	270,046,433				
		240	0				
		241	0	242	306,732,122		
		243	97,960,163				
		244	0				
		245	1,584,037				
		246	0				
		247	0				
		248	0	249	39,544,200	250	406,276,322
			to carry forward				9,759,121,513

BALANCE SHEET

ASSETS

									Current year
								carried forward	9,279,701,305
E	RECEIVABLES								
I	- Receivables, derived from direct insurance operations, composed of:								
	1. Policyholders								
	a) premiums for current year	71	281,925,079						
	b) premiums for previous years	72	16,832,297	73	298,757,376				
	2. Insurance brokers			74	311,743,526				
	3. Insurance company current accounts			75	11,247,299				
	4. Policyholders and others for sums to be recovered			76	46,507,959	77	668,256,160		
II	- Receivables, derived from direct insurance operations, composed of:								
	1. Insurance and reinsurance companies			78	63,193,559				
	2. Reinsurance brokers			79	11	80	63,193,570		
III.	- Other receivables					81	322,521,894	82	1,053,971,624
F	OTHER ASSETS								
I	- Fixed assets and inventories								
	1. Furniture, EDP and internal transport			83	1,435,779				
	2. Tangible assets recorded in public registers			84	171,995				
	3. Plant and equipment			85	349				
	4. Stocks and other assets			86	0	87	1,608,123		
II	- Cash and Cash equivalents								
	1. Bank and postal deposits			88	209,462,969				
	2. Cheques and cash on hand			89	51,057	90	209,514,026		
III.	- Treasury shares					91	8,081,302		
IV	- Other assets								
	1. Receivable transitory reinsurance accounts			92	322,940				
	2. Other assets			93	411,661,735	94	411,984,675	95	631,188,126
G.	PREPAID AND ACCRUED INCOME								
	1. Interest					96	69,512,938		
	2. Rental					97	62,513		
	3. Other prepaid and accrued income					98	0	99	69,575,451
	TOTAL ASSETS							100	11,034,436,506

Previous year

			carried forward				9,759,121,513
251	303,879,039						
252	14,762,579	253	318,641,618				
		254	337,862,522				
		255	30,121,318				
		256	45,591,805	257	732,217,263		
		258	61,579,794				
		259	4,841,193	260	66,420,987		
				261	364,163,997	262	1,162,802,247
		263	1,047,353				
		264	203,985				
		265	754				
		266	0	267	1,252,092		
		268	176,006,554				
		269	8,551	270	176,015,105		
				271	13,898,951		
		272	405,609				
		273	238,697,945	274	239,103,554	275	430,269,702
				276	79,518,469		
				277	154,661		
				278	0	279	79,673,130
						280	11,431,866,592

BALANCE SHEET

LIABILITIES AND NET EQUITY

					Current year		
A. SHAREHOLDERS' EQUITY							
I - Share capital subscribed or equivalent fund				101	305,851,341		
II - Share premium reserve				102	718,146,635		
III. - Revaluation reserve				103	1,276,548		
IV - Legal reserve				104	51,679,501		
V - Statutory reserves				105	0		
VI - Reserves for treasury shares and of holding companies				106	197,387,103		
VII - Other reserves				107	649,600,575		
VIII - Retained earnings/(accumulated losses)				108	0		
IX - Loss for the year				109	-512,679,407	110	1,411,262,296
B. SUB-ORDINATED LIABILITIES						111	150,000,000
C. TECHNICAL RESERVES							
I - NON-LIFE DIVISION							
1. Unearned premium reserve	112	1,088,057,478					
2. Claims reserve	113	3,768,586,088					
3. Reserve for profit sharing and reversals	114	0					
4. Other technical reserves	115	3,185,413					
5. Equalisation reserves	116	12,402,121	117	4,872,231,100			
II - LIFE DIVISION							
1. Actuarial reserves	118	3,539,474,420					
2. Reserves for complementary insurances	119	201,398					
3. Reserve for claims to be paid	120	47,279,749					
4. Reserve for profit sharing and reversals	121	0					
5. Other technical reserves	122	19,651,416	123	3,606,606,983	124	8,478,838,083	
D. TECHNICAL RESERVES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS							
I - Reserve relating to the performance of investments funds and market indices				125	226,043,275		
II - Reserves derived from pension fund management				126	13,906,415	127	239,949,690
to carry forward							10,280,050,069

Previous year

		281	305,851,341		
		282	718,146,635		
		283	1,276,548		
		284	51,012,967		
		285	0		
		286	252,741,418		
		287	634,705,284		
		288	0		
		289	13,330,681	290	1,977,064,874
				291	150,000,000
292	1,087,096,773				
293	3,677,225,418				
294	0				
295	3,412,807				
296	10,853,552	297	4,778,588,550		
298	3,493,419,213				
299	237,499				
300	38,210,717				
301	0				
302	21,392,401	303	3,553,259,830	304	8,331,848,380
		305	274,191,553		
		306	9,157,176	307	283,348,729
	to carry forward				10,742,261,983

BALANCE SHEET

LIABILITIES AND NET EQUITY

				Current year		
			carried forward			10,280,050,069
E PROVISIONS FOR RISKS AND CHARGES						
1 Provisions for pension and similar			128	0		
2 Tax provisions			129	41,169,505		
3 Other provisions			130	140,930,200	131	182,099,705
F. DEPOSITS RECEIVED FROM REINSURERS					132	103,598,022
G. PAYABLES AND OTHER LIABILITIES						
I - Payables, derived from direct insurance operations, composed of:						
1. Insurance brokers	133	14,581,541				
2. Insurance company current accounts	134	14,077,411				
3. Policyholders for deposits and premiums	135	0				
4. Policyholder guarantee provisions	136	65,240	137	28,724,192		
II - Payables, derived from reinsurance operations, composed of:						
1. Insurance and reinsurance companies	138	32,518,586				
2. Reinsurance brokers	139	265	140	32,518,851		
III. - Bonds			141	0		
IV - Payables to banks and financial institutions			142	0		
V - Secured debts			143	0		
VI - Loans and other financial payables			144	1,506,050		
VII - Employee leaving indemnity			145	23,569,338		
VIII - Other payables						
1. Policyholders' tax due	146	15,826,429				
2. Other taxes due	147	17,864,367				
3. Social security and welfare institutions	148	8,259,176				
4. Other payables	149	132,286,585	150	174,236,557		
IX - Other liabilities						
1. Payable transitory reinsurance accounts	151	461,598				
2. Commissions on premium collection	152	44,675,765				
3. Other liabilities	153	159,389,141	154	204,526,504	155	465,081,492
			to carry forward			11,030,829,288

Previous year

carried forward					10,742,261,983
		308	0		
		309	21,540,944		
		310	85,078,384	311	106,619,328
				312	120,174,750
313	25,401,532				
314	14,233,184				
315	465,550				
316	28,503	317	40,128,769		
318	26,497,865				
319	2,604,973	320	29,102,838		
		321	0		
		322	0		
		323	0		
		324	1,064,957		
		325	25,571,492		
326	16,016,705				
327	18,737,106				
328	9,194,633				
329	155,614,645	330	199,563,089		
331	841,155				
332	55,035,008				
333	107,786,967	334	163,663,130	335	459,094,275
to carry forward					11,428,150,336

BALANCE SHEET

LIABILITIES AND NET EQUITY

		Current year		
carried forward				11,030,829,288
H. ACCRUALS AND DEFERRED INCOME				
1. Interest	156	3,596,942		
2. Rental	157	10,276		
3. Other accruals and deferred income	158	0	159	3,607,218
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY			160	11,034,436,506

BALANCE SHEET

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

		Current year
GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS		
I - Guarantees given		
1. Sureties	161	0
2. Endorsements	162	0
3. Other non-secured guarantees	163	0
4. Secured guarantees	164	50,824,684
II - Guarantees received		
1. Sureties	165	227,856,419
2. Endorsements	166	0
3. Other non-secured guarantees	167	449,318
4. Secured guarantees	168	400,000
III. - Guarantees given by third parties on behalf of the company	169	45,547,841
IV - Commitments	170	147,966,796
V - Third party assets	171	0
VI - Pension fund assets managed on behalf of third parties	172	0
VII - Securities deposited with third parties	173	7,981,643,068
VIII - Other memorandum accounts	174	75,011,000

	Previous year	
carried forward		11,428,150,336
	336 3,708,233	
	337 8,023	
	338 0	339 3,716,256
		340 11,431,866,592

		Previous year
		341 0
		342 0
		343 0
		344 49,809,499
		345 249,222,517
		346 0
		347 449,318
		348 425,456
		349 44,479,436
		350 250,292,479
		351 3,389
		352 0
		353 8,366,122,845
		354 63,761,000

INCOME STATEMENT

						Current year
I. TECHNICAL ACCOUNT OF THE NON-LIFE DIVISION						
1. EARNED PREMIUMS NET OF REINSURANCE						
a) Gross premiums written			1	2,809,183,521		
b) (-) Premiums ceded			2	105,744,391		
c) Change in the gross amount of the unearned premium reserve			3	3,740,452		
d) Change in reinsurers reserves for unearned premiums			4	1,795,053	5	2,701,493,731
2 (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM NON TECHNICAL ACCOUNT (ACC. III. 6)					6	
3 OTHER TECHNICAL INCOME, NET OF REINSURANCE					7	26,063,618
4 CLAIMS INCURRED NET OF RECOVERIES AND REINSURANCE						
a) Claims paid						
aa) Gross amount	8	2,377,449,007				
bb) (-) reinsurers' share	9	60,298,226	10	2,317,150,781		
b) Change in recoveries net of reinsurers' share						
aa) Gross amount	11	48,194,764				
bb) (-) reinsurers' share	12		13	48,194,764		
c) Change in claims reserve						
aa) Gross amount	14	90,858,466				
bb) (-) reinsurers' share	15	-23,031,223	16	113,889,689	17	2,382,845,706
5 CHANGE IN OTHER TECHNICAL RESERVES NET OF REINSURANCE					18	-227,394
6 PROFIT-SHARING AND REVERSALS NET OF REINSURANCE					19	264,903
7 MANAGEMENT EXPENSES:						
a) Acquisition commissions			20	395,936,000		
b) Other acquisition costs			21	82,738,284		
c) Change in commissions and other costs of acquisition to be amortised			22			
d) Collection commissions			23	23,595,674		
e) Other administrative expenses			24	85,047,967		
f) (-) Reinsurers commissions and profit participation			25	30,949,416	26	556,368,509
8 OTHER TECHNICAL CHARGES, NET OF REINSURANCE					27	106,466,158
9 CHANGE IN EQUALISATION RESERVES					28	1,548,569
10 TECHNICAL ACCOUNT RESULT - NON-LIFE DIVIDSION (Account III. 1)					29	-319,709,102

					Previous year
		111	2,821,930,087		
		112	149,247,426		
		113	-3,520,123		
		114	2,418,823	115	2,678,621,607
				116	105,807,114
				117	21,908,251
118	2,271,951,426				
119	68,196,079	120	2,203,755,347		
121	52,097,855				
122		123	52,097,855		
124	126,853,862				
125	12,477,122	126	114,376,740	127	2,266,034,232
				128	-433,261
				129	507,523
		130	402,962,819		
		131	79,210,556		
		132			
		133	23,366,816		
		134	79,441,711		
		135	29,530,842	136	555,451,060
				137	93,552,092
				138	1,634,146
				139	-110,408,820

						Current year
	II. TECHNICAL ACCOUNT - LIFE DIVISION					
1	EARNED PREMIUMS NET OF REINSURANCE					
	a) Gross premiums written			30 512,069,922		
	b) (-) premiums ceded			31 10,816,874	32	501,253,048
2	INVESTMENT INCOME					
	a) Income from shares and quotas			33 16,721,856		
	(of which: group companies and other holdings			34 9,078,012)		
	b) Income from other investments					
	aa) land and buildings	35				
	bb) other investments	36	156,553,353	37 156,553,353		
	(of which: group companies			38 50,213)		
	c) Write-back on investments			39 4,571,795		
	d) Gains on investment disposals			40 33,093,572		
	(of which: group companies and other holdings			41)	42	210,940,576
3	INCOME AND UNREALISED CAPITAL GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND PENSION FUND MANAGEMENT				43	21,525,414
4	OTHER TECHNICAL INCOME, NET OF REINSURANCE				44	970,247
5	CLAIMS INCURRED NET REINSURANCE					
	a) Claims paid					
	aa) Gross amount	45	593,215,527			
	bb) (-) Reinsurers share	46	25,046,554	47 568,168,973		
	b) Change in reserve for sums to be paid					
	aa) Gross amount	48	8,992,199			
	bb) (-) Reinsurers share	49	2,003,014	50 6,989,185	51	575,158,158
6	CHANGE IN ACTUARIAL RESERVES AND OTHER TECHNICAL RESERVES NET OF REINSURANCE					
	a) Actuarial reserves:					
	aa) Gross amount	52	35,155,898			
	bb) (-) Reinsurers share	53	-18,126,987	54 53,282,885		
	b) Unearned premiums provision					
	aa) Gross amount	55	-36,998			
	bb) (-) Reinsurers share	56	-857	57 -36,141		
	c) Other technical reserves					
	aa) Gross amount	58	-1,757,601			
	bb) (-) Reinsurers share	59		60 -1,757,601		
	d) Technical reserves where the investment risk is borne by policyholders and those relating to administration of pensions					
	aa) Gross amount	61	-43,399,556			
	bb) (-) Reinsurers share	62		63 -43,399,556	64	8,089,587

						Previous year
		140	481,597,040			
		141	11,240,750	142		470,356,290
		143	10,180,587			
(of which: group companies and other holdings		144	714,021)			
	145					
	146 164,999,692	147	164,999,692			
(of which: group companies		148	35,851)			
		149	71,408,726			
		150	29,501,776			
(of which: group companies and other holdings		151	)	152		276,090,781
				153		50,537,398
				154		1,502,687
	155 575,508,651					
	156 25,943,563	157	549,565,088			
	158 986,483					
	159 -74,506	160	1,060,989	161		550,626,077
	162 12,239,093					
	163 -14,742,395	164	26,981,488			
	165 -31,339					
	166	167	-31,339			
	168 -3,329,506					
	169	170	-3,329,506			
	171 5,622,529					
	172	173	5,622,529	174		29,243,172

INCOME STATEMENT

					Current year
7	PROFIT-SHARING AND REVERSALS NET OF REINSURANCE			65	
8	MANAGEMENT EXPENSES:				
	a) Acquisition commissions	66	6,607,887		
	b) Other acquisition costs	67	8,298,678		
	c) Change in commissions and other costs of acquisition to be amortised	68	-911,208		
	d) Collection commissions	69	3,964,925		
	e) Other administrative expenses	70	10,273,624		
	f) (-) Reinsurers commissions and profit participation	71	3,252,078	72	26,804,244
9	ASSET AND FINANCIAL CHARGES				
	a) Investment management charges and interest expenses	73	8,657,026		
	b) Value adjustments on investments	74	137,927,208		
	c) Losses on investment disposals	75	11,480,715	76	158,064,949
10	ASSET AND FINANCIAL CHARGES AND UNREALISED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR INVESTMENT RISK, AND MANAGEMENT OF PENSION FUNDS			77	5,608,932
11	OTHER TECHNICAL CHARGES, NET OF REINSURANCE			78	11,438,248
12	(-) PORTION OF INVESTMENT INCOME TRANSFERRED TO NON TECHNICAL ACCOUNT (ACC. III. 4)			79	
13	TECHNICAL ACCOUNT RESULT - LIFE DIVISION (Account III. 2)			80	-50,474,833

III. NON TECHNICAL ACCOUNT

1	TECHNICAL ACCOUNT RESULT – NON-LIFE DIVISION (account I.10)					81	-319,709,102
2	TECHNICAL ACCOUNT RESULT - LIFE DIVISION (account II. 13)					82	-50,474,833
	INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION						
	a) Income from shares and quotas			83	11,724,798		
	(of which: group companies and other holdings			84	4,041,682)		
	b) Income from other investments						
	aa) land and buildings	85	21,143,898				
	bb) other investments	86	75,190,918	87	96,334,816		
	(of which: group companies			88	813,221)		
	c) Write-back on investments			89	10,590,543		
	d) Gains on investment disposals			90	54,715,971		
	(of which: group companies and other holdings			91	)	92	173,366,128

					Previous year
				175	
		176	7,896,565		
		177	8,550,073		
		178	-1,010,524		
		179	4,860,248		
		180	9,463,530		
		181	2,506,183	182	29,274,757
		183	11,051,405		
		184	6,299,148		
		185	1,539,753	186	18,890,306
				187	5,168,862
				188	12,530,849
				189	33,844,353
				190	117,908,780
				191	-110,408,820
				192	117,908,780
		193	27,830,988		
(of which: group companies and other holdings		194	6,646,757)		
	195 21,769,220				
	196 87,744,901	197	109,514,121		
(of which: group companies		198	1,600,664)		
		199	50,952,514		
		200	83,886,262		
(of which: group companies and other holdings		201	)	202	272,183,885

INCOME STATEMENT

					Current year	
4	(+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS (Item II.12) 12)				93	
5	ASSET AND FINANCE CHARGES FOR NON-LIFE DIVISION					
	a) Investment management charges and interest expenses	94	17,757,422			
	b) Value adjustments on investments	95	310,947,860			
	c) Losses on investment disposals	96	17,197,068		97	345,902,350
6	(+) QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (Acc. I. 2)				98	
7	OTHER INCOME				99	106,157,892
8	OTHER CHARGES				100	223,537,671
9	RESULT FROM ORDINARY ACTIVITY				101	-660,099,936
10	EXTRAORDINARY INCOME				102	80,364,382
11	EXTRAORDINARY CHARGES				103	24,706,132
12	RESULT FROM EXTRAORDINARY ACTIVITY				104	55,658,250
13	LOSS BEFORE TAXES				105	-604,441,686
14	INCOME TAXES FOR THE YEAR				106	-91,762,279
15	LOSS FOR THE YEAR				107	-512,679,407

			Previous year
		203	33,844,353
204	18,116,405		
205	78,009,074		
206	30,839,315	207	126,964,794
		208	105,807,114
		209	103,638,891
		210	138,508,868
		211	45,886,313
		212	23,068,801
		213	38,361,039
		214	-15,292,238
		215	30,594,075
		216	17,263,394
		217	13,330,681

Explanatory Notes

Part A

Accounting principles

Section 1

Illustration of the accounting principles

General principles

The accounting principles adopted in the preparation of the present financial statements are in accordance with current law and for their interpretation the accounting principles issued by the National Council of Professional Accountants (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri) and the Italian Accounting Organisation (Organismo Italiano di Contabilità). The accounting principles have not changed from the previous year.

Intangible assets

Acquisition commissions to be amortised the commissions on the long-term contracts, on both life and non-life contracts, are entirely expensed in the income statement in the year in which they are issued. The amount recorded in the account relates to the residual amount still to be amortised of the commissions on long-term contracts of the life classes existing in 2002 of Milano Assicurazioni and in the 2007 accounts of Sasa Vita which, in line with the accounting principles adopted until 2002 by Milano Assicurazioni and until 2007 by Sasa Vita, continue to be recorded over the duration of each contract and in any case not for a period greater than 10 years.

Goodwill. The amount recorded in the accounts includes:
- the goodwill deriving from the acquisition of the insurance portfolio of Latina Assicurazioni in 1992;
- the goodwill recorded in 1992 following the acquisition of the insurance portfolio Card S.p.A.;
- the goodwill relating to the life portfolio of La Previdente Assicurazioni, originally acquired from La Previdente Vita (formerly Latina Vita) in 1993;
- the goodwill deriving from the acquisition in 2005 of the portfolio of Maa Assicurazioni S.p.A. by Nuova Maa, incorporated into Milano Assicurazioni in 2003;
- the goodwill accorded in 2003 following the merger by incorporation of Maa Vita, corresponding to the difference between the carrying value of the investment and the net equity book value.

This goodwill is amortised on a straight line basis over 20 years with the exception of the goodwill recorded in 2003 following the merger by incorporation of Maa Vita into Milano Assicurazioni, which is amortised over 10 years.

These periods are considered appropriate, taking into account the characteristics of the portfolio to which they refer as well as the specific insurance activity and of the long-term prospects based on which the investments in the sector were made.

The amortisation process of goodwill recorded following the merger by incorporation of Lloyd Internazionale S.p.A. in 1991, and the goodwill deriving from the acquisition in 2001 of the insurance contract portfolio of Profilo Life by Maa Vita was completed in the year.

The quota of amortisation for the year amount to Euro 18,902 thousand and is recorded in the account *other charges*.

Other deferred costs: they are recorded as an asset for an amount equal to the acquisition cost and amortised on a straight-line basis over the relative useful life.

Investments

Buildings
They are considered non-current investments in accordance with article 15, paragraph 2, of Legislative Decree 173/97.

They are recorded at cost increased, where applicable, in the current and previous years by:

- incremental expenses on the values;
- INVIM ten year, with the exclusion of the extraordinary part as per Law 363/91;
- revaluations made pursuant to law No. 576 of December 2, 1975, No. 72 of March 19, 1983 and No. 413 of December 30, 1991;
- revaluations made on the allocation of the merger deficit;

and decreased, where applicable, by:
- write-downs made to take account of any permanent loss in value, determined on the basis of independent expert's evaluations.

The buildings for the activities of the business are systematically depreciated with a depreciation rate of 3%. The buildings for use by others are not subject to depreciation, in consideration of their constant maintenance, and therefore their utilisation is not limited over time.

Investments in group companies and equity securities:
The investments in group companies and other holdings are generally recorded under non-current assets in accordance with the provisions of article 15, paragraph 2, of Legislative Decree No. 173/97 and are therefore recorded at cost, adjusted for any permanent loss in value.

The permanent loss in value of subsidiaries and associated companies are generally recorded with reference to the share of the loss for the year; the book values for the investments in subsidiaries and associated companies are compared with the corresponding share of net equity, determined in accordance with article 16, paragraph 5, of Legislative Decree 173/1997 and any higher book values are maintained only if, and for the relative portion, justified by goodwill, progressively recovered through the normal operations.

Other shares and non-current investments are recorded at cost and adjusted for any permanent impairment in value.

The listed shares which are not recorded as non-current assets are recognised at the lower value between book value, determined in accordance with the continual average cost criteria, and that resulting from the stock exchange price on the final trading day of the year.

Where the criteria pursuant to article 16, paragraphs 3 and 6, of Legislative Decree 173/97 exists the recoveries in value are recorded within the limits of the write-downs made in previous years.

Bonds and other fixed-income securities:
The securities recorded under non-current investments are valued at purchase cost applying the continual average cost criteria, adjusted by the quota of the trading margin (positive or negative difference between the purchase value and repayment value) matured in the year and, where applicable, for permanent loss in value.

The listed securities recorded under current assets are recognised at the lower value between the book value, determined with the continual average cost criteria, adjusted to take account of issue margins matured, and that resulting from the stock market listing on the last trading day of the year.

For the corporate bonds with subordination clauses the adequacy of the stock market value was verified using alternative valuation models, developed internally on the basis of recognisable parameters, taking into account that the relative markets in terms of trading volumes and reliability have not yet returned at the end of 2010 to normal operating conditions.

The issue and trading margins of bond securities without prefixed maturity (so-called perpetual) were calculated with reference to the *first call* date provisioned in relation to their repayment method.

Where the criteria pursuant to article 16, paragraphs 3 and 6, of Legislative Decree 173/97 exists the recoveries in value are recorded within the limits of the write-downs made in previous years.

Other financial investments:
The **investment fund units** recorded under non-current assets are valued at cost, net of any reduction for permanent loss in value; those recorded under current assets are valued at the lower between purchase cost and the value, recorded at the reporting date.

The **time deposit contracts** with repurchase obligation are recorded in the accounts as independent investments or financial operations. In particular the spot and forward purchase operations are recorded in the account *other financial investments* for the amounts corresponding to the spot value, while those, where applicable, relating to spot sales and forward repurchase are recorded as payables, without generating changes in the holdings of securities. The income components are recorded pro-rata respectively in the *Income from other investments* and *Investment management charges* and *Interest expense*.

Options on derivative contracts: the premiums paid relating to the options acquired are recorded in the account *other financial investments*; the premiums received relating to the options sold are *recorded under other loans* and *other financial payables*. The premiums exercised at maturity are recorded as an adjustment to the carrying value or of the sales price of the related asset or the amount received or paid following the exercise of the cash settlement option; the premiums relating to the options abandoned are recorded under profits or losses on realisation of the investments.
The operations on financial derivative instruments to hedge investments are valued in accordance with the underlying assets; other operations on derivative instruments, in order to ensure proper financial management, are recorded at the lower between cost and market value.

Investments in which the risks are borne by the policyholders

The securities hedging commitments deriving from life contracts, whose services are linked to the performance of specific equity indices (Index-Linked) or to internal funds (Unit-Linked), are recorded at fair value based on the official price on the last trading day of the year or for the investments made on non regulated markets, at the average price at which these investments were traded on the last day of settlement of the year; this criteria is also utilised to determine the commitments towards policyholders, in order to create the correlation with the actuarial reserves recorded under liabilities.
The reserve for transfer of assets from class C to class D, recorded in net equity, includes the difference between the carrying value and current value of the bonds transferred to the class "Investments relating to services linked with investment funds and market indices". The reserve is subsequently reduced on the maturity and the sale of the investments from which the gains are derived. The residual reserve at December 31, 2010 amounts to Euro 14 thousand and is unchanged on the previous year.
In relation to the composition of each account of these investments and the relative comparison with the purchase cost, reference should be made to attachment 11 of the present notes.

Premiums written

NON-LIFE DIVISION:

The gross premiums written include the amounts matured in the year from insurance contracts. In accordance with article 45 of Legislative Decree 173/1997 and the instructions contained in ISVAP Regulation No. 22 of April 4, 2008, they include:
- The cancellations due to technical reversals of the individual securities issued in the year;
- The changes of contracts, with or without changes in premiums, made through replacement or supplemented;

While they do not include, as they are included in the account *other technical charges:*
- The write-downs for doubtful receivables from policyholders for premiums of the year made at the reporting date;
- The write-downs and cancellations of receivables from policyholders for premiums in previous years.

LIFE DIVISION:

The gross premiums written include all the amounts matured in the year from insurance contracts. In accordance with article 45 of Legislative Decree 173/1997 and the instructions contained in ISVAP Regulation No. 22 of April 4, 2008, they include:

- The cancellations due to technical reversals of the individual securities issued in the year;
- The cancellation of premiums from annuities expired in previous years;
- The changes of contracts, with or without changes in premiums, made through replacement or supplemented;

While they do not include, as they are included in the account *other technical charges:*

- The write-downs for doubtful receivables from policyholders for first annuity premiums of the year made at the reporting date;
- The write-downs and cancellations of receivables from policyholders from first year annuity premiums or units issued in previous years.

Technical reserves

NON-LIFE DIVISION:

Premiums reserve on direct insurances risks: this includes the reserve for premium fractions, the reserve for risks in course and where applicable the integrations to the reserve for premium fractions, calculated in accordance with Section I of ISVAP Regulation No. 16 of March 4, 2008.

The reserve for premium fractions was determined in accordance with the pro-rata method applied analytically for each policy based on the gross premiums written.

Relating to the reserve for risks in course, the valuation for the creation of the reserve is made based on an empirical calculation procedure constructed on the ratio of claims to premium for the current generation recorded in the accounts.
The ratio includes net damages for claims of the current generation including the direct and settlement expenses, both externally and internally, as well as the claims reserves at the year-end for the current generation claims, which also include the quota attributable to direct expenses and settlement expenses.
The denominator of the ratio represents the premiums for the period excluding the premiums issued from the acquisition commissions paid, in order to make the calculation based on elements (premiums written, reserve premiums pro-rata at the beginning and end of the year) technically uniform in their content.

The procedure for the determination of the reserve for risks in course is as follows:

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

The additional reserve for premium fractions relate, where the requirements are fulfilled, to credit, bond, hailstorm and natural calamity insurance, in accordance with the provisions of Chapter I, Section III, of the above-mentioned ISVAP regulation No. 16/2008 as well as attachment 1 for the credit contracts stipulated or renewed by December 31, 1991.

The total amount provisioned is considered appropriate to cover the commitments for risks in course at the year-end.

Claims reserve on direct insurances risks: this reserve includes the total amount of the sums that from a prudent evaluation made based on objective elements and separate for each claim, are necessary against the payment of the claims during the year or in previous years, and those still not paid, as well as the relative settlement expenses.

In accordance with the provisions contained in ISVAP regulation No. 16 of March 4, 2008, the reserve for claims reported was determined from a separate and analytical evaluation of the cost of each claim reported and not fully paid at the year-end and valued at the last cost, taking into account all the future foreseeable costs based on historical data and reliable projections.

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

In the case of non-reporting of the reserves by the settlement offices a statistical average cost reserve is applied.

Motor TPL

From February 2007, a direct compensation procedure has been in place which, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company.

In this context, the Motor TPL reserve was valued as follows:

- The Fisher Lange method was utilised as the actuarial statistical benchmark method in that, taking account also of the number of claims, it permits the estimate of the reserve without neglecting any changes to the settlement policies due to the direct indemnity. In order to apply this method the historical series of claims caused by policyholders of the company was updated with the claims managed by the company from the beginning of the new settlement regime;
- In support of the Fisher Lange method, it was considered appropriate to utilise the Chain Ladder and Bornhuetter-Ferguson methods to weigh the Fisher Lange estimate. It is noted that the Chain Ladder is useful due to the ease in obtaining the requested information (simply know the cumulative amounts paid of the individual generations) on the other hand it requires that the fundamental assumption of the constant progression of the cumulative payments is satisfied over time.

The late reported claims reserves was established based on a method which calculates the numbers and amounts based on experience over previous years, taking account of the numeric development of late claims and the relative average costs.

Finally, on the basis of the four fundamental assumptions needed for the Fisher-Lange method (speed in settlement, rate of claims accepted, average base cost, future inflation of the average costs) various scenarios were considered for the sensitivity analysis of the results provided by the method.

For the claims within the CARD Management regime, the reserve was recorded net of the recoverable flat-rate fees established for each year, defined by the Technical Committee set up under Pres. Decree No. 254/2006;

For the claims within the CARD Debtor regime, the valuation was made based on the once-off amount due to the management companies.

Other Non-Life Classes

The determination of the last cost was made on the basis of the reserves of the liquidators, adjusted to take into account past experience in relation to the changes in the claims reserve.

The claims reserve includes also the total amount of the sums necessary to cover previous year claims not yet claimed at the year-end (I.B.N.R. claims reserve). The last cost of these claims is estimated with reference to the historical data of previous years and in particular the observation, by individual insurance division, of the late claims made in comparison to the year of occurrence of the event giving rise to the claim.

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

Equalisation reserves: these amounts are reserved in order to reduce the volatility in the movements in the claim rate in future years or to cover specific risks, in accordance with the Isvap Regulation No. 16/2008, section V, paragraph III. In particular, the account is comprised of:

- the equalisation reserve of the credit class, accrued to cover any negative technical balance retained of the class at the year-end;
- the equalisation reserve for natural calamity risk and the risks deriving from nuclear energy, accrued to cover any claims over the time horizon of the contracts.

Unearned premium reserve on indirect business: the reserve is calculated based on the communications received from the reinsurance companies; where this has not been received, appropriate rates are applied to the premiums written and the related risks still in course at the year-end, taking into account the specific regulations for insurance for Credit, Bonds, Hailstorm and other natural calamities and damage coverage related to nuclear energy.

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

LIFE DIVISION:

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

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

For the products in accordance with article 41, paragraphs 1 and 2 of Legislative Decree 209 of 7/9/2005, as well as the Open Pension Funds, the calculation is made analytically contract by contract, adopting assumptions that represent with maximum approximation the value of the underlying assets.

Technical reserves for reinsurance risks: they are recorded based on communications provided by the insurance companies.

Technical reserves attributed to reinsurers

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

Receivables

They are recorded at realisable value, taking into account the doubtful debt provisions recorded as a direct reduction of the nominal value. In particular the write-down of the receivables from policyholders for premiums was made taking into account the expected amounts collectible, based on experience acquired in the previous years and recorded in categories similar to these receivables.

Other asset accounts

Tangible assets and inventories: they are recorded at purchase cost, net of the relative depreciation.
The depreciation for the year is calculated with rates adequate in relation to the residual utilisation of the assets.
The following rates are applied:

Furniture and fittings	12%
Office machines	12%
Internal transport	20%
Tangible assets recorded in public registers	25%
Plant and equipment	15%

The above rates are reduced by half for the purchases in the year.

Provisions for risks and charges

They relate to:
- provision for taxes, which includes current income taxes, limited to the IRAP regional tax, the deferred tax liability charge, in addition to future charges arising from any tax assessments. The current tax charge relating to the IRES income tax was recorded in the account *payables to parent company* following the inclusion by Milano Assicurazioni to the Fondiaria-SAI Group tax consolidation;
- provisions for future risks and expenses, accrued with reference to certain charges relating to the year and known at the date of the preparation of the financial statements.

Prepaids and accruals

These include the portion of charges and income covering two or more periods, in accordance with the accrual basis of accounting.

Accounting principles of the other accounts

Indirect business: the inward and outward reinsurance relating to contracts with Companies of the group are recorded on an accruals basis. The reinsurance contracts with third parties are recorded in the income statement for the year 2009 in accordance with the provisions of article 42 of Legislative Decree 173/97. The data relating to the year 2010, only partially received, is suspended in the transitory accounts under assets and liabilities.

Settlement expenses: the amounts recorded include the settlement expenses both paid and accrued, which include all the expenses relating to inspection, verification, valuation and settlement of the claims and are attributed to the individual classes based on the claims treated, taking into account their differences.

The dividends are recorded at the moment of receipt.

Conversion into Euro of accounts in foreign currencies

The accounts are prepared in Euro. The accounts in foreign currencies are translated into Euro at the year-end rate, with the exchange differences recorded in the accounts *other charges* and *other income* of the non-technical account.

Deferred taxes

Italian accounting principle No. 25 is applied relating to the accounting treatment of income taxes, which requires the calculation of the fiscal charge for the year taking into account the taxes paid but referring to future years (deferred tax assets) and those on the other hand which, although payable in future years, relate to the current year (deferred tax liabilities). The deferred tax assets are recorded only in the presence of reasonable certainty of their future recovery, while the deferred tax liabilities are not recorded when there is little probability that the payable will arise.

The reasonable certainty of the recovery of the deferred tax asset was verified on the basis of the capacity of the Company to produce assessable income at least sufficient to recover these taxes.

The deferred tax assets considered principally refer to the changes in the long-term component of the claims reserves, to provisions for risks and charges, to the doubtful debt provisions and to the adjustments to equity securities with exclusion of those within the *participation exemption* regime as per article 97 of D.P.R. 917/86. However the deferred tax assets relating to the provisions made against costs of uncertain deductibility are not considered.

The deferred tax liabilities relating to the gains assessable over several years were also considered, principally relating to buildings sold. No taxes have been provided in relation to the reserves in suspension of taxes, as the transactions that would lead to such taxation are not expected to occur.

The calculation of the deferred tax assets and liabilities were made separately for IRES income tax and IRAP regional tax relating to current tax rates, respectively of 27.5% and 4.82%.

The deferred tax assets are recorded in the account *other assets* of the balance sheet, while the deferred tax liabilities are recorded under *provision for risks and charges* in the account *provisions for taxes*.

UNCERTAINTY ON UTILISATION OF ESTIMATES

The application of some accounting principles necessarily implies significant elements of opinion based on estimates and assumptions which are uncertain at the time of their formation.

For the accounts for the year 2010 it is considered that the assumptions made are appropriate and consequently the accounts are prepared with the intention of clarity and represent in a true and fair manner the financial situation and result for the year. In the notes, adequate and exhaustive information is provided into the underlying reasons for the decisions taken, the valuations made and the criteria adopted in the application of the accounting standards.

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

It cannot be excluded, however, that variations in estimates and assumptions may determine significant effects on the balance sheet and income statement, as well as on the potential liabilities reported for information purposes in the accounts, where different opinions are made compared to those utilised at the time reported.

In particular, the use of greater subjective valuations by management was necessary in the following cases:

- in establishing the long-term nature of the losses in investments and other financial instruments;
- in the calculation of the technical reserves;
- in the estimate of the recovery of the deferred tax assets;
- in the quantification of provisions for risks and charges, for the uncertainty therein and of the time period and the assumptions utilised.

The valuations in the accounts are made based on the going concern of the business, in that no risks were identified which could compromise the normal carrying out of the business activities. In fact, despite the losses in 2010, the net equity was more than adequate, also to support the solvency margin and, as described in the Directors' Report, the outlook is positive.

Information on financial risks is contained in the directors' report.

* * *

In relation to the significant events at the beginning of 2011 and transactions with related parties, reference should be made to the directors' report.

Part B

Notes on the Balance Sheet and Income Statement

The Company undertakes insurance business in the classes indicated in article 2, paragraphs 1 and 3 of Legislative Decree 209/2005 (Private Insurance Code). We therefore attach the following:

- The balance sheet relating to the non-life management (attachment 1);
- The balance sheet relating to the life management (attachment 2);
- The statement relating to the division of the result for the year between life and non-life divisions (attachment 3).

All the amounts are expressed in thousands of Euro.

As highlighted in the Directors' Report:

- On April 19, 2010, the merger by incorporation of Meridiano Orizzonti into Milano Assicurazioni was signed, a wholly owned real estate subsidiary, owner of a building located in Milan at Piazza Santa Maria Beltrade, No. 1, with a book value of Euro 55.6 million. The legal effects of the merger are as of April 19, 2010 with accounting and fiscal effects back-dated to January 1. The merger was approved by the Shareholders' Meeting of Meridiano Orizzonti on October 13, 2009 within the rationalisation and reorganisation of the Fondiaria-Sai Group;
- on December 29, 2010, the merger by incorporation of the subsidiary Dialogo Vita into Milano Assicurazioni was effective. The accounting and tax effects of the merger were back-dated to January 1, 2010. The merger was undertaken taking account of the limited operations carried out by the company and the limited expectations for the short-term.

Neither operation led to any changes in the share capital of Milano Assicurazioni as the incorporated companies were wholly owned.
The comments to the financial statement accounts provide adequate information relating to the above-mentioned merger operations.

Balance Sheet - Assets

Section 1

Intangible assets (account B)

	2010	2009	Change
1. Acquisition commissions to be amortised			
a) Life Division	1,005	1,916	-911
b) Non-Life Division	-	-	-
2. Other acquisition expenses	-	-	-
3. Formation and start-up costs	-	-	-
4. Goodwill	39,550	58,451	-18,901
5. Other deferred costs	1,060	1,267	-207
TOTAL	**41,615**	**61,634**	**-20,019**

The commissions on the long-term contracts, both life and non-life, are entirely expensed in the income statement in the year in which they are issued. The amount recorded in the account relates to the residual amount still to be amortised of the commissions on long-term contracts of the life classes existing in 2002 of Milano Assicurazioni and in the 2007 accounts of Sasa Vita (now incorporated into Milano Assicurazioni) which, in line with the accounting principles adopted until 2002 by Milano Assicurazioni and until 2007 by Sasa Vita, continue to be recorded over the duration of each contract and in any case not for a period greater than 10 years.

The goodwill account comprises:

The goodwill recorded in 1992 following the acquisition of the insurance portfol io Card S.p.A.	4,132
The goodwill deriving from the acquisition of the insurance portfolio of Latina Assicurazioni S.p.A., in 1992	7,165
The goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A., originally acquired from La Prev idente Vita (formerly Latina Vita) in 1993	3,539
The goodwill deriving from the acquisition of the portfolio of Maa Assicurazioni by Nuova Maa, incorporated in Milan in 2003	23,684
The goodwill recorded in 2003 following the merger by incorporation of Ma a Vita	1,030
TOTAL	**39,550**

Goodwill is amortised on a straight line basis over 20 years with the exception of goodwill recorded in 2003 following the merger by incorporation of Maa Vita, which is amortised over 10 years.
These periods are considered appropriate, taking into account the characteristics of the portfolio to which they refer as well as the specific insurance activity and of the long-term prospects based on which the investments in the sector were made.
The verification of the recoverability of goodwill, carried out on the preparation of the consolidated financial statements, verifies the goodwill recorded to the separate financial statements.
The amortisation process on the following goodwill concluded in the year:

- the goodwill recorded following the merger by incorporation of Lloyd Internazionale S.p.A. in 1991;
- the goodwill deriving from the acquisition of the insurance portfolio Profilo Life by Maa Vita, incorporated in Milan in 2003.

The amortisation charge for the year amounted to Euro 18,901 thousand and is recorded in the income statement account *other charges*.

The account *other long-term costs* principally refer to the quota to be amortised of the commissions incurred against the subordinated loans of Euro 100 million granted by Mediobanca in 2008. These commissions, of an original amount of Euro 1.4 million, are amortised over 10 years, in line with the period beyond which the beneficiary may repay the loan. The residual amount at December 31, 2010 is Euro 1,056 thousand.

The changes in the year of *Intangible Assets* are analysed in attachment 4.

Section 2

Investments (account C)

Land and Buildings (account C. I)

		2010	2009	Change
I.	Property used for business activities	2,843	8,239	- 5,396
II.	Property used by third parties	551,864	560,904	- 9,040
III.	Others buildings	439	439	-
IV.	Other property rights	-	-	-
V.	Assets in progress and payments on account	156,838	145,598	11,240
TOTAL		**711,984**	**715,180**	**- 3,196**

The changes compared to the previous year principally relate to:

Meridiano Orizzonti merger	55,622
Real estate projects payments on account	11,240
Improvement works	3,584
Conferment to Immobiliare Rho Fund	- 5,041
Sales	- 58,928
Adjust. to values	- 9,525
Depreciation	-148
TOTAL	**- 3,196**

The merger by incorporation of Meridiano Orizzonti s.r.l., in April 2010, with accounting effects back-dated to January 1, resulted in the inclusion of the building in Milan Piazza S. M. Beltrade, 1 into Milano Assicurazioni.

The **real estate projects payments on account** refer to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola). This operation, which took place in 2005, involved the sale by Milano Assicurazioni to the company *IM.CO.* of the land in question and the purchase from *IM.CO* by Milano Assicurazioni of a building for office use, to be built on the land in question at a price of Euro 93,700 thousand. For further and more detailed information on these operations and the relative price, reference should be made to that reported in the directors' report at the chapter dedicated to transactions with related parties.

Improvement works principally relate to the restructuring works on the building located in Rome, Via Tre Madonne.

Conferments to the Rho Real Estate fund relate to the building located in Trieste, Via Tommaso Gulli. The value of the conferment of Euro 10,170 thousand resulted in a gain of Euro 5,129 thousand. The operation completes that resolved by the Boards of Directors of Fondiaria-Sai and of Milano Assicurazioni in October 2009 concerning the optimisation of the real estate portfolio of the companies through conferment to the Rho Fund of some important properties. For further information reference should be made to the Directors' Report.

The **sales** principally relate to the building located in Milan, Via Cordusio n. 2 - Via G. Casati No. 1, with a book value at the time of sale of Euro 55,149 thousand. This is a prestigious mixed use building with a high value based on its architectural characteristics, its location in the historic centre of Milan and the recent investments made which will ensure a significant return. The sales price of Euro 105 million resulted in a gain of Euro 49,851 thousand.

The **impairments** relate to the building located in Milan, Via Caldera, No. 21. The book value of this building, for hotel use, was reduced from Euro 67.2 million to Euro 57.7 million, considering the value allocated by an independent expert on December 31, 2010, which takes account of the lower short-term profit forecasts.

The **depreciation** concerns the buildings used for business activities. The buildings for use by others are not subject to depreciation, in consideration of their constant maintenance, and therefore their utilisation is not limited over time.

The change in the account *land and buildings* compared to the previous year is detailed in attachment 4 to the present notes, which include, pursuant to article 16, point 7 of Legislative Decree 173/97, the current value of the buildings at the balance sheet date, amounting to Euro 800.5 million and approx. Euro 88.5 million above the book value.

This current value was obtained by estimates made by independent experts and determined through a separate evaluation of each land and building utilising asset type methods, based on the intrinsic and extrinsic value of the assets and taking into account their profitability, in accordance with the provisions of Isvap Regulation No. 22 of April 4, 2008.

The list of the buildings owned by the company and the movements in the year are shown in an attachment to the notes.

Investments in group companies and other companies (account C. II)

	2010	2009	Change
Shares and holdings in group companies	827,229	1,061,987	-234,758
Bonds in group companies	89,207	47,156	42,051
Loans to group companies	-	12,384	-12,384
TOTAL	**916,436**	**1,121,527**	**-205,091**

The account ***shares and holdings in group companies*** comprise:

(In Euro thousands)	Book value	Share held directly (%)
Parent companies		
Fondiaria-Sai	182,262	8.02
Premafin	7,044	2.23
	189,306	
Subsidiary companies		
Campo Carlo Magno	37,333	100.00
Dialogo Assicurazioni	7,984	99.85
Immobiliare Milano	414,490	100.00
Liguria Società di Assicurazioni	130,000	99.97
Pronto Assistance Servizi	527	28.00
Sogeint	100	100.00
Systema Compagnia di Assicurazione	5,187	100.00
	595,621	
Group companies		
Atahotels	-	49.00
Fondiaria-Sai Servizi Group	11,614	34.21
Immobiliare Lombarda	8,364	35.83
Nuove Iniziative Toscane	3,784	3.12
Sai Investimenti	1,200	29.00
Saiagricola	4,900	6.80
Sainetwork	1,440	18.00
Service Gruppo Fondiaria-Sai	227	30.00
Sistemi Sanitari (Health Care Systems)	170	19.63
	31,699	
Associated companies		
Garibaldi Sca	660	32.00
Isola Sca	1,599	29.56
Valore Immobiliare	8,105	50.00
	10,364	
Other holdings		
Bancapulia Ord	155	0.18
Bancapulia Priv	28	0.22
Tirrena Assicurazioni	-	11.14
Ufficio Centrale Italiano	56	10.98
	239	
TOTAL	**827,229**	

The holding in Fondiaria-SAI consists of 9,982,557 shares, equal to 8.02% of the ordinary share capital, with a carrying value of Euro 182,262 thousand after impairments of Euro 46,999 thousand as explained in detail in the following paragraph. These shares were recorded in the non-current securities segment and record a loss of Euro 119,106 thousand, compared to the stock exchange price at the year-end.

The holding in Premafin Finanziaria consists of 9,157,710 shares recorded under the current asset segment and the carrying value at the year-end amounts to Euro 7,044 thousand, after recording a value adjustment of Euro 2,538 thousand, determined with reference to the stock exchange prices on the last trading day of the year.

For further information on the performance of subsidiary and associated companies, reference should be made to the Directors' Report.

Impairments on shares and holdings of Group companies

These amount to Euro 228,903 thousand and principally relate to the companies indicated

Fondiaria-Sai

The investment is valued at cost, adjusted for impairments in value. In order to establish impairments analyses are carried out when considered necessary.

Firstly the share price performance is considered, establishing if a significant long-term reduction in the price has taken place.
As indicated in the relevant accounting standard (OIC 20) a market capitalisation below the book value of the investment may indicate a possible impairment, but by itself is not sufficient for the recognition of such an impairment if an analysis does not confirm also the long-term nature of the reduced value of the investment.

In accordance with the indications established in the above-stated accounting standard OIC 20, the provisions of IAS 36 (*in relation to the impairment test*) are considered suitable to establish the existence of a long-term loss in value through utilising suitable analyses and information on the economic-financial, historical and future conditions of the Fondiaria-SAI Group.

A specific valuation as described below was therefore carried out which allocates a value per share for the investment of between a minimum of Euro 16.60 and a maximum of Euro 22. Based on the results of the analysis, the average unitary carrying value was reduced from Euro 22.97 to Euro 18.258, recognising an overall impairment of Euro 46,999 thousand.

The principal parameters chosen, methods utilised and the results calculated were validated by a specifically appointed independent expert, who issued a fairness opinion. Specifically, the valuation was carried out utilising the *Sum of Parts (SOP)* method applied as indicated below.

Non-Life Division

The Dividend Discount Model method was employed, utilising the Excess Capital model, which establishes the value in use as the sum of:

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

In application of the method reference was made to the 2011 budget and the economic indicators (premiums written, combined ratio and financial income) concerning the years 2012 and 2013 approved by the Board of Directors as well as the 2014 and 2015 projections drawn up by management based on sustainable levels of profitability.

The parameters used were as follows:

- combined ratio: gradual alignment to the target value estimated at 96.6%;
- cost of capital for the discounting of cash flows: 10.08%;
- long-term growth rate (g-rate): 2%;
- financial income: gradual alignment of the investment yield to the target value, estimated at 3%;
- solvency ratio: 120% calculated according to the Solvency I rules and considering, as constituting items, only those relating to the Non-Life sector, as identified for the purposes of the consolidated financial statements.

Life Division

The Appraisal Value (AV) method was applied, which calculates the value of an insurance portfolio as the sum of the Embedded Value (EV) and the New Business Value (NBV).

The Embedded Value estimates the value of future cash flows based on actuarial models, without considering in the valuation the effects of new business. The Embedded value can be defined as the sum of the Adjusted Net Asset Value (ANAV) and the Value in Force (VIF).

The ANAV is the value of the net equity related to the portfolio subject to valuation, adjusted taking account of the gains/losses on investments, on intangible and tangible fixed assets and on payables and liabilities for which the fair value is estimated.

The VIF concerns the value of profits which will be generated from the future technical and financial management of contracts already issued and present in the portfolio.

The New Business Value represents the future cash flows deriving from new premiums written whose basis already exists at the time of valuation.

The principal parameters utilised in the application of the model are as follows:
- discount rate utilised for the valuation of the VIF: 7.85%;
- discount rate utilised for the valuation of the NBV: 6.85%;
- synthetic multiple for the estimate of goodwill from new business: 5x
- solvency ratio: 100%

Real Estate Sector
A simple equity method was utilised, which takes account of the current value of real estate held at December 31, 2010.

The sensitivity analyses on the value attained were carried out separately for the individual segments in relation to the significant variables for the valuation (combined ratio, solvency ratio, cost of capital, investment income and synthetic multiplier adopted for the estimate of goodwill on new life business) and confirmed the results obtained from application of the model.

Liguria Assicurazioni

The carrying value of the investment was reduced to Euro 130 million, recognising an impairment of Euro 121.5 million.
Also in this case the valuation was calculated through the Sum of Parts (SOP) method, utilising the Dividend Discount Model (DDP) for the valuation of Liguria Assicurazioni and the adjusted net equity for Liguria Vita.
The principal parameters chosen, methods utilised and the results calculated were validated by a specifically appointed independent expert, who issued a fairness opinion.
The parameters utilised for the application of DDM were as follows:
- combined ratio: gradual alignment to the target value estimated at 96%;
- cost of capital for the discounting of cash flows: 9.4%;
- long-term growth rate (g-rate): 2%;
- financial income: gradual alignment of the investment yield to the target value, estimated at 2.8%;
- solvency ratio: 120%, calculated according to the Solvency I rules.

The valuation was carried out based on the 2011 budget of the company, the economic indicators relating to the years 2012 and 2013 in terms of premiums written, combined ratio and financial income and the 2014 and 2015 projections drawn up to reflect a normal level of profitability.

Dialogo Assicurazioni
The valuation adjustment amounts to Euro 15,134 thousand and represents the share of losses in the year recorded by the company. Net of these adjustments the book value of the investment, amounting to Euro 7,984 thousand, is in line with the relative net equity.

Immobiliare Milano
The valuation adjustment amounts to Euro 15,950 thousand and represents the loss in the year recorded by the company. Net of these adjustments the book value of the investment, amounting to Euro 414,490 thousand, remains in line with the relative net equity.

Atahotels S.p.A.
The company in 2010 reports a loss of Euro 52,122 thousand and an equity deficit of Euro 11,783 thousand. Consequently, the carrying value of the investment (Euro 24,546 thousand) was written-down and the share of the net equity deficit was recorded to the account provision to cover future recapitalisation needs. The total charge recorded to the income statement amounted to Euro 29,546 thousand.

Gruppo Fondiaria-Sai Servizi S.c.r.l.
The adjustment in value (Euro 2,214 thousand) includes the share of losses for the year in order to align the book value with the relative net equity. The loss is principally due to the non-deductibility for IRAP purposes of the personnel costs from the consortium company.

Premafin
The book value was aligned to the stock exchange price of the last day of the year, recording an adjustment of Euro 2,538 thousand.

* * *

In accordance with article 16, paragraph 4 of Legislative Decree 173/97 we provide information included in the account *shares in Group companies* which are recorded at a value above the corresponding net equity share. As the consolidated financial statements were prepared in accordance with IAS/IFRS, the carrying value was compared, on like-for-like terms, with the share of net equity prepared under Italian accounting principles.

In Euro thousands	**Valued in accord. with art. 16, point 4, Lgs Decree 173/97**	**Book value**	**Difference**
Liguria Assicurazioni	65,448	130,000	64,552
Campo Carlo Magno	19,017	37,333	18,316

For Liguria Assicurazioni, the higher carrying value represents the goodwill based on the valuation of the investment carried out by an independent expert, as described in detail in the paragraph related to impairments.

For Campo Carlo Mango the difference is due to the higher fair value of the hotel real estate complex owned, located at Madonna di Campiglio.

The account ***Bonds issued by group companies*** includes:

- Profit Participating Bonds for Euro 68,100 thousand, issued by the associated company Garibaldi S.C.A (Euro 53,777 thousand) and Isola S.C.A. (Euro 14,323 thousand).
  Garibaldi S.C.A. is a Luxembourg-registered company involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale don Sturzo, via Melchiorre Gioia and the local railway station. The project concerns the development of approx. 50,000 sq.m. for office use, 5,000 sq.m. for residential use, 10,000 sq.m. for retail use and 20,000 sq.m. for exposition use.
  Isola S.C.A. is a Luxembourg-registered company which through its subsidiaries is involved in the "Porta Nuova Isola" real estate project, promoted and managed by the US group Hines. The area concerned is located in Milan, between Via G. De Castillia and Via F. Confalonieri and involves the development of 29,000 sq. m. divided into: 21,900 sq.m. for residential use, 6,300 sq.m for office use and 800 sq. m for retail use.
  The yield of the bonds, with expiry on December 31, 2020, is based on the profits achieved by the issuing companies in relation to the property projects currently under development.
- bonds issued by the Group company Banca Sai S.p.A. for Euro 21,107 thousand.

The following information is attached:
- The changes in the year of shares and holdings, of bonds and of loans to group companies and other investments (Attachment 5);
- The schedule containing information relative to investment holdings (Attachment 6);
- The schedule analysing the movements (Attachment 7).

Other financial investments (account C. III)

	2010	2009	Change
Shares and quotas	613,027	635,631	-22,604
Investment fund units	669,279	722,344	-53,065
Bonds and other fixed-income securities	5,697,343	5,734,873	-37,530
Loans	27,536	30,957	-3,421
Units in mutual investments	-	-	-
Deposits at credit institutions	-	-	-
Other financial investments	56	45,128	-45,072
TOTAL	**7,007,241**	**7,168,933**	**-161,692**

The account *shares and quotas* includes Euro 229,905 thousand of listed shares recorded under current assets and Euro 383,122 thousand of shares recorded under non-current assets.

The shares recognised as current assets are valued at the lower between the carrying value and the stock exchange price recorded on the last trading day of the year, recording a net value adjustment of Euro 30,422 thousand. The above shares report unrealised gains of Euro 1,333 thousand compared to the stock exchange prices at year-end.

The non-current investments are recorded at cost, adjusted for any permanent impairment in value. In order to establish impairments appropriate analyses were carried out on the most significant investments.

Firstly the share price performance is considered, establishing if a significant long-term reduction in the price has taken place.
In order to establish if the stock market performance represents a long-term value adjustment, the economic-financial, historical and future, conditions of the relative companies are analysed based on the information publicly available according to the so-called desk valuation method. In accordance with the indications contained in the OIC 20 accounting principle, it is considered that the provisions established by IAS 36 are appropriate to determine any long-term value impairment utilising appropriate analyses and information on the economic-financial, historical and future conditions of these companies. The valuation methodologies adopted are commonly used by specialised operators (Dividend Discount Model or the Sum of Parts model) and establish the medium-long term recoverable value. The results confirm the recoverability of the current stock market values.

In particular, for Generali a valuation interval between Euro 19.4 and Euro 26.3 was identified, while for Unicredit the interval was between Euro 2.99 and Euro 3.86.

The valuation interval in turn derives from sensitivity analyses carried out on the principal variables of the models utilised, such as the cost of capital, the rate of sustainable growth and the requirements for the constitution of minimum capital levels, as well as the synthetic multiplier utilised to estimate goodwill concerning the new business of Generali and the expected cost of risk for Unicredit.
The Company considered it correct to value at the lower end of the valuation range, both for prudential reasons and as it better approximates the maximum consensus target price of the various analyses of Euro 20 for the Generali share and of Euro 3.10 for the Unicredit share.
In detail:

- the carrying value of the investment in Assicurazioni Generali was reduced from Euro 24.03 per share to Euro 20 per share, with an impact on the income statement of Euro 37,516 thousand;
- the carrying value of the investment in Unicredit was reduced from Euro 3.67 per share to Euro 3.10 share, with an impact on the income statement of Euro 27,567 thousand.

In relation to the investment held in RCS the valuation loss compared to the market value (Euro 6,561 thousand) was not considered a permanent loss in value, also according to the above-stated analyses. In particular for RCS, a value range was identified between Euro 1.37 and Euro 1.79, through utilisation of the DCF method, in turn “stressed” through changes both to the discount rate and to the growth rate. The target price of analysts, which substantially confirms the carrying value of Euro 1.56 was also used in this case as a further support.

The principal parameters chosen, methods utilised and the results calculated were validated by a specifically appointed independent expert, who issued a fairness opinion.

Net of impairments, the listed shares in the non-current segment indicate, compared to the stock exchange prices on the last trading day of the year, net unrealised losses of Euro 137,424 thousand, as set out below:

Unicredit	-73,384
Assicurazioni Generali	-53,048
RCS Mediagroup	-6,561
Mediobanca	-4,062
Industria e Innovazione	-369
TOTAL	**- 137,424**

Units in mutual investments report net unrealised gains of Euro 44,773 thousand in the year.

The account ***Bonds and other fixed income securities*** are broken down as follows:

Listed government securities	4,411,209
Non-listed government securities	6,599
Other listed securities	1,206,869
Other non-listed securities	32,437
Convertible bonds	40,229
TOTAL	**5,697,343**

During the year, issue margins were recorded in this account of Euro 10,338 thousand and trading margins of Euro 6,244 thousand.

The listed bonds recorded in the current segment, excluding the corporate listed bonds with subordination clauses, amounted to Euro 3,351,979 thousand and were valued at the lower between carrying value and the stock exchange price recorded on the last trading day of the year, taking account however of the adjustments in value of previous years following the recording of the relative write-backs following share price increases. The valuation led to net impairments of Euro 76,353 thousand.

For the corporate bonds with subordination clauses, whose non-current book value amounted to Euro 63,708 thousand, the adequacy of the stock market value was verified using alternative valuation models, developed internally on the basis of recognisable parameters, taking into account that the relative markets in terms of trading volumes and reliability by the end of 2010 have not yet re-established normal operating conditions. The net value adjustments recorded amount to Euro 1,391 thousand.

The non-current bonds are recorded at cost, as there are no requirements to record any permanent impairment in value.

The non listed bonds were maintained at cost, as there were no permanent losses in value.

Overall, the *bonds and other fixed-income securities* recorded the following gains/losses compared to:

- the stock exchange prices at the year-end for the listed securities, verifying - as stated - for the corporate bonds with subordination clauses the correctness of the prices with alternative valuation models;
- the prices realised for the non-listed securities.

	Gains	Losses
Listed securities	95,887	71,805
Non-listed securities	913	1,896
TOTAL	**96,800**	**73,701**
of which:		
Current	32,139	-
Non-current	64,661	73,701

The most significant amounts by issuer are shown below:

Issuer	Carrying value 31/12/2010 (in Euro thousands)
Italian State	4,108,812
German State	137,309
Unicredit Group	80,126
Morgan Stanley	78,578
Intesa San Paolo	66,596
Spanish State	61,571
Banco Popolare	48,840
ENI S.p.A	42,633
Greek State	30,898
GE Capital Funding	30,812
BEI European Investment Bank	30,166
J P Morgan Chase	28,078
Santander Insuances Unipersonal	26,611
SNS Bank	26,068
British Telecom PLC	25,893
Bipiemme	25,394
Deutsche Telecom Int Finance	25,392
Enel	24,983
Goldman Sachs Group Inc.	24,806
Allianz Finance	24,342
EDF	23,827

The table below summarises the assets, which have subordination clauses:

(Euro thousands):

beneficiary	Carrying value Euro/000 at 31/12/2010	Expiry Date	Subordination level	Interest Rate	Advance repayment
ALLIANZ FINANCE	24,342	perpetual	Upper Tier 2	4.375%	17/02/17
ASSURANCE GEN.DE FRANCE	2,493	perpetual	Tier 1	4.625%	10/06/15
AVIVA	3,220	14/11/21	Lower Tier 2	5.750%	14/11/11
AVIVA	6,106	perpetual	Tier 1	4.729%	28/11/14
AXA	12,575	perpetual	Tier 1	5.777%	06/07/16
BANCA CARIGE	2,761	07/06/16	Lower Tier 2	Euribor 3m+42	07/06/11
BANCA ITALEASE	1,362	15/11/14	Lower Tier 2	Euribor 3m+50	17/01/11
BANCA LOMBARDA	3,526	perpetual	Tier 1	8.170%	
UBI BANCA	2,314	19/12/16	Lower Tier 2	Euribor 3m	19/12/11
BANCA POPOLARE DI VERONA E NOVARA	4,888	15/06/16	Lower Tier 2	Euribor 3m+40	15/06/11
BANCA POPOLARE DI VERONA E NOVARA	3,752	22/1116	Lower Tier 2	Euribor 3m+45	22/11/11
BANCA POPOLARE DI VERONA E NOVARA	8,955	08/02/17	Lower Tier 2	Euribor 3m+35	08/02/12
BANCA POPOLARE EMILIA ROMAGNA	3,737	23/03/16	Lower Tier 2	Euribor 3m+40	23/03/11
BANCHE POPOLARI UNITE	4,005	30/10/18	Lower Tier 2	Euribor 3m+50	30/10/13
BANCO BILBAO VIZCAYA ARG. INTL.	1,169	perpetual	Tier 1	4.952%	20/09/16
BANCO BILBAO VIZCAYA ARG. INTL.	1,107	24/10/16	Lower Tier 2	Euribor 3m+30	24/10/11
BANCO POPOLARE	5,000	09/09/16	Lower Tier 2	5.700%	No
BANCO POPOLARE	4,593	28/04/17	Lower Tier 2	4.750%	No
BARCLAYS BANK	4,858	perpetual	Tier 1	4.750%	15/03/20
BARCLAYS BANK	4,318	23/01/18	Lower Tier 2	6.000%	No
BES FINANCE	3,316	perpetual	Upper Tier 2	4.500%	16/03/15
BIPIEMME Scarl	1,271	29/06/11	Upper Tier 2	7.625%	No
BNP PARIBAS	4,045	perpetual	Tier 1	8.667%	11/09/13
BNP PARIBAS CAPITAL TRUST	3,286	perpetual	Tier 1	5.868%	16/01/13
BNP PARIBAS	4,685	17/10/16	Lower Tier 2	Euribor 3m+22	17/10/11
BNP PARIBAS	1,900	22/01/19	Lower Tier 2	4.375%	22/01/14
BCA POP COMMERCIO E INDUSTRIA	2,567	perpetual	Tier 1	9.000%	27/06/11
CAPITALIA	962	07/04/16	Lower Tier 2	Euribor 3m+30	07/04/11
CASSA DI RISPARMIO DI FIRENZE	1,946	05/12/13	Upper Tier 2	Euribor 3m+95	No
COMMERZBANK	2,797	13/09/16	Lower Tier 2	4.125	13/09/11
CREDIT AGRICOLE	1,596	perpetual	Tier 1	4.130%	09/11/15
CREDIT SUISSE	394	20/12/14	Lower Tier 2	Zero Coupon	No
DANSKE BANK	2,529	16/03/18	Upper Tier 2	4.100%	16/03/15
DEUTSCHE BANK	3,925	31/01/13	Lower Tier 2	5.125%	No
DEUTSCHE BANK	1,086	17/02/15	Lower Tier 2	libor 3m +80	17/02/11
DEUTSCHE CAPITAL TRUST	4,352	perpetual	Tier 1	5.330%	19/09/13
DEUTSCHE POSTBANK FUNDING	3,576	perpetual	Tier 1	5.983%	29/06/17
FORTIS BANK	2,534	perpetual	Tier 1	4.625%	27/10/14

GENERALI FINANCE	15,048	perpetual	Tier 1	5.317%	16/06/16
GENERAL ELECTRIC CAPITAL CORP	3,727	15/09/67	Upper Tier 2	5.500%	15/09/17
GROUPAMA	8,994	perpetual	Tier 1	6.298%	22/10/17
HSBC CAPITAL FUNDING	2,234	perpetual	Tier 1	5.369%	24/03/14
HT1 FUNDING	3,384	perpetual	Tier 1		30/06/17
ING BANK	5,614	18/03/16	Lower Tier 2	Euribor 3m+17.5	18/03/11
INTESA SANPAOLO	6,464	perpetual	Tier 1	8.047%	20/06/18
INTESA SANPAOLO	13,656	28/05/18	Lower Tier 2	5.750%	28/05/13
INTESA SANPAOLO	3,000	perpetual	Tier 1	9.500%	01/01/21
INTESA SANPAOLO	2,990	16/07/20	Lower Tier 2	5.150%	No
INTESABCI CAPITAL TRUST	2,029	perpetual	Tier 1	6.988%	12/07/11
INTESA SANPAOLO	11,237	08/02/16	Lower Tier 2	Euribor 3m+25	08/02/11
INTESA SANPAOLO	1,334	28/06/16	Lower Tier 2	Euribor 3m+30	28/06/11
INTESA SANPAOLO	5,456	20/02/18	Lower Tier 2	Euribor 3m+25	20/02/13
INTESA SANPAOLO	4,998	15/01/12	Lower Tier 2	5.200%	No
JP MORGAN CHASE BANK	3,648	30/09/21	Lower Tier 2	4.375%	14/11/16
MEDIOBANCA	937	11/11/16	Lower Tier 2	Euribor 3m+30	11/1011
MONTE DEI PASCHI DI SIENA	2,321	30/11/17	Lower Tier 2	Euribor 3m+40	30/11/12
PROSEC FUNDING	3,758	30/06/16	Upper Tier 2	4.668%	No
ROYAL BANK SCOTLAND	14,233	09/04/18	Lower Tier 2	6.934%	No
RWE	2,492	perpetual	Tier 1	4.625%	28/09/15
SANTANDER ISSUANCE	4,584	23/03/17	Lower Tier 2	Euribor 3m+25	23/03/12
SANTANDER ISSUANCE	13,320	24/10/17	Lower Tier 2	5.435%	24/10/12
SANTANDER ISSUANCE	4,443	30/09/19	Lower Tier 2	4.500%	30/09/14
SANTANDER ISSUANCE	4,264	03/03/16	Lower Tier 2	Euribor 3m+20	03/03/11
SIEMENS	4,060	14/09/66	Tier 1	5.250%	14/09/16
SL FINANCE	2,711	12/07/22	Lower Tier 2	6.375%	12/07/12
SNS BANK NEDERLAND	2,606	perpetual	Tier 1	5.750%	22/0713
SOCIETE GENERALE	1,175	perpetual	Tier 1	4.196%	26/01/15
STANDARD CHARTERED	2,738	03/02/17	Lower Tier 2	3.625%	03/02/12
STANDARD CHARTERED	9,086	26/09/17	Lower Tier 2	5.875%	No
UNICREDIT GROUP	1,503	01/02/16	Upper Tier 2	3.950%	No
UNICREDIT GROUP	10,860	perpetual	Company Guarantee	4.028%	27/10/15
UNICREDIT GROUP	4,969	20/09/16	Lower Tier 2	Euribor 3m+30	20/09/11
UNICREDIT GROUP	7,122	26/09/17	Lower Tier 2	5.750%	No
UNICREDIT GROUP	3,611	22/09/19	Lower Tier 2	4.500%	22/09/14
UNICREDIT GROUP	18,925	15/12/50	Tier 1	Euribor 3m	23/02/16
UNIPOL ASSICURAZIONI	4,533	28/07/23	Lower Tier 2	5.660%	28/07/13
ZURICH FINANCE	2,644	02/10/23	Lower Tier 2	5.750%	02/1013
	372,556				

The account ***Loans*** principally includes (Euro 24,627 thousand) loans on life policies, generally related to the residual duration of the relative contracts and in any case with possibility of advanced repayment by the policyholders.

The account ***other financial investments*** include Euro 56 thousand of premiums paid on derivative contracts in relation to securities in portfolio.

Derivative finance operations

At December 31, 2010, the derivative financial operations open were:

- nominal contract of Euro 50 million of an Interest Rate Swap with the counterparty HVB expiring on July 14, 2016. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 3.18% and receives the Euribor rate at 6 months. The charge recorded to the income statement amounted to Euro 1,944 thousand;
- Credit Default Swap contracts, in order to hedge the insolvency risk of the securities in portfolio. In particular:
  - Credit Default Swap on a nominal amount of Euro 9.35 million which expires on March 20, 2013 to hedge the issuer insolvency risk of Morgan Stanley;
  - Credit Default Swap on a nominal amount of Euro 4.4 million which expires on March 20, 2014 to hedge the issuer insolvency risk of Merrill Lynch.
- Range Accrual Swap contracts on a notional Euro 11.25 million. In particular:
  - Euro 5 million with BNP Paribas with maturity on April 1, 2020; under the contract the counterparty receives a fixed rate of 3% annually and pays 5.25% annually for the days in which the spread between the Swap rate at 30 years and the Swap rate at 10 years is positive.
  - Euro 2.5 million with Banca IMI with maturity on May 7, 2020; under the contract the counterparty receives a fixed rate of 3% annually and pays 6.5% annually for the days in which the spread between the Swap rate at 30 years and the Swap rate at 10 years is positive.
  - Euro 3.75 million with Banca IMI with maturity on October 28, 2020; under the contract the counterparty receives a fixed rate of 3% annually and pays 6.525% annually for the days in which the spread between the Swap rate at 30 years and the Swap rate at 10 years is positive.

These operations were undertaken in accordance with the Board of Directors' resolution of March 22, 2005 in relation to the utilisation of the derivative financial and structured instruments utilising control and monitoring instruments, including preventive instruments, existing within the organisation which track the operations carried out in terms of the decided strategy, the efficiency of the hedging operations and the respecting of the limits assumed. For each hedging operation, the relative "Hedging Relationship Documentation" was prepared in accordance with the above-mentioned resolution and also in compliance with international accounting standards.

The principal derivative finance operations in the year relate to:
- combined options (purchase put-sell call) undertaken to hedge the non realised gains on Mediobanca shares in portfolio. In particular the closure of these options, through the financial settlement of the differential between the list price and the strike price (cash settlement) related to 602,700 Mediobanca shares which, based on the average strike price of Euro 9.1196 per share, recorded a profit of Euro 1,784 thousand;

- 13,575 call options acquired on the DJ Eurostoxx50, with an average strike price of 2,883.44. The closure of these options resulted in the recording of charges of Euro 737 thousand to the income statement.

Non-current assets

The assets considered as stable investments were allocated to the non-current segment in line with the economic and financial performance of the company.
These concern the Class B investments Other intangible assets, C.I. Land and buildings and of the Classes C.II and C.III securities, these latter within limits of the resolutions approved by the Board of Directors on September 10, 1998 as modified by the Board of Directors' meeting of September 3, 1999 and that approved by the Board of Directors' meeting of March 26, 2004 which reviewed the guidelines established to indentify both current and non-current investments. This was also undertaken to stabilise the structure of the security portfolio, in line with the planning of the portfolio management and the timing profile of the commitments toward policyholders.

In particular, the resolution requires that the securities relating to the *Non-current investments* are those held in the company for the purposes of "stable investment", a requisite which must be established on allocation of the security to the segment. A further condition for recording the debt securities in the non-current investment segment is that they must be assigned a Standard & Poor's rating of at least BBB- or equivalent.

The non-current assets are recorded at cost, adjusted for any permanent impairment in value. The table below shows the Class C non-current investments:

	31.12.2010	**31.12.2009**
Shares and quotas	383,122	406,701
Investment fund units	482	482
Bonds and other fixed-income securities	2,255,621	2,078,979
TOTAL	**2,639,225**	**2,486,162**

The account *shares and holdings* includes the following principal investments:

Company	Number of shares	Book value (in Euro thousands)
Unicredit	47,966,603	148,696
Generali	9,300,464	186,009
Mediobanca	3,107,046	24,836
Rcs Mediagroup	12,480,511	19,388

As described in detail in the previous chapter relating to ***Other Financial Investments (account C.III)***:
- the carrying value of the investment in Assicurazioni Generali was reduced from Euro 24.03 per share to Euro 20 per share, with an impact on the income statement of Euro 37,516 thousand;
- the carrying value of the investment in Unicredit was reduced from Euro 3.67 per share to Euro 3.10 share, with an impact on the income statement of Euro 27,567 thousand.

The adjustments were made based on analyses carried out by management. The principal parameters chosen, methods utilised and the results calculated were validated by a specifically appointed independent expert, who issued a fairness opinion.

The following information is attached:
- Breakdown by current and non-current utilisation of the assets comprising the shares and quotas C.III.1, units in investment funds C.III.2, bonds and other fixed-income securities C.III.3; other financial investments - C.III.7 (attachment 8);
- The change in the year of the non-current assets include the accounts in the previous point (attachment 9);
- The changes in the year of the loans - account C.III.4 (attachment 10).

Deposits with reinsuring companies (account C. IV)

2010	2009	Change
2,488	**2,222**	**266**

The account relates to the life division for Euro 1,865 thousand and to the non-life division for Euro 623 thousand and was created based on the respective reinsurance clauses.

Section 3

Investments where risk is borne by life policyholders and pension fund management (account D)

		2010	2009	Change
I.	Investments relating to the performance of investments funds and market indices	**226,043**	**274,192**	**- 48,149**
II.	Investments derived from pension fund managem ent	**13,906**	**9,157**	**4,749**
TOTAL		**239,949**	**283,349**	**- 43,400**

The investments relating to the performance of investment funds and market indices concern index-linked products for Euro 182,348 thousand and unit-linked products for Euro 43,695 thousand, principally placed in previous years.

The investments deriving from the management of the pension funds relate to the Milano Assicurazioni Open Pension Fund, structured over six investment lines and operational from June 2007. The breakdown of the investments by line is shown in the table below:

Milano Bond	4,067
Milano Gest	3,569
Milano Mix	1,821
Milano Europa	1,466
Milano Global	1,594
Milano Premium TFR	1,389
TOTAL	**13,906**

Attachment 11 includes the assets deriving from the performance of investments funds and market indices.

Attachment 12 shows the assets deriving from the management of the pension funds.

Section 4

Technical reserves attributed to reinsurers (account D bis)

	2010	2009	Change
NON-LIFE DIVISION			
1. Unearned premium reserve	37,951	36,686	1,265
2. Claims reserve	236,712	270,046	- 33,334
3. Reserve for profit sharing and reversals	-	-	-
4. Other technical reserves	-	-	-
LIFE DIVISION			
1. Actuarial reserves	81,739	97,960	- 16,221
2. Reserves for complementary insurances	-	-	-
3. Reserve for claims to be paid	3,587	1,584	2,003
4. Reserve for profit sharing and reversals	-	-	-
5. Other technical reserves	-	-	-
6. Technical reserves where investment risk borne by policyholders and reserves from pension fund management	-	-	-
TOTAL	**359,989**	**406,276**	**- 46,287**

The technical reserves relating to the reinsurers are calculated applying the same criteria adopted for direct premiums, taking account of the reinsurance contractual clauses.

The reserves attributable to the reinsurance companies are determined with the same criteria utilised for the formation of the reserves of the underwritten risks and represent the share, attributable to them, of the contractual commitments undertaken.

The reinsurance policy remained substantially in line with the previous year with the exception of Motor TPL contracts with the group company The Lawrence Re, whose priority was increased from Euro 1 million to Euro 2.5 million.

Section 5

Receivables (account E)

	2010	2009	Change
DIRECT INSURANCE OPERATIONS			
1. Policyholders for premiums	298,757	318,642	- 19,885
2. Insurance brokers	311,744	337,862	- 26,118
3. Insurance company current accounts	11,247	30,121	- 18,874
4. Policyholders and others for sums to be recovered	46,508	45,592	916
REINSURANCE OPERATIONS			
1. Insurance and reinsurance companies	63,194	61,580	1,614
2. Reinsurance brokers	-	4,841	- 4,841
OTHER RECEIVABLES	322,522	364,164	- 41,642
TOTAL	**1,053,972**	**1,162,802**	**- 108,830**

The values shown are net of a total write-down provision of Euro 139,683 thousand, recorded as a direct deduction of the specific receivable accounts to which they refer.

The account other receivables are composed of the following principal amounts:

Tax receivables	103,056
Receivables from Fondiaria-SAI for income tax payments on account made in the year and recorded under receivables following the inclusion by Milano Assicurazioni to the Fondiaria-SAI Group tax consolidation.	93,376
Invoices issued and to be issued, principally for per sonnel seconded by Gruppo Fondiaria-Sai Servizi S.c.r.l.	97,513
Receivables from Fondiaria-Sai for per Liguria Assicurazioni price adjustment	10,000
Receivables from Fondiaria-Sai for Group VAT	5,742

Receivables from Gruppo Fondiaria-Sai Servizi consortium (Euro 80,507 thousand) are to be considered in light of the recharges received from the consortium for services received and recorded in the account *other payables* for Euro 92,697 thousand.

The receivable of Euro 10,000 thousand relating to the conferment price adjustment of the investment in Liguria Assicurazioni relates to the settlement at year-end by Fondiaria-SAI with the De Longhi Group, based on the purchase price adjustment clauses of the investment.

It is recalled preliminarily that the purchase contract of Liguria Assicurazioni S.p.A. by Fondiaria-Sai contained price adjustment procedures on the price paid by Fondiaria-Sai to De Longhi Holding SA (formerly Guala Consultadoria e Investimentos Lda) in May 2006 as follows:

- verification, to be completed after the approval of the 2010 financial statements, of the sufficient strength of the claims reserves of Liguria Assicurazioni as reported in the 2005 financial statements;
- verification of the sufficient strength of the Bond Class premiums reserve based on the transfer balance sheet prepared on May 31, 2006, on the closing of the operation.

Milano Assicurazioni, following the conferment of the holding in Liguria Assicurazioni by FONDIARIA-SAI, sub-entered into all receivable/payable balances generated by this latter with De Longhi Holding.

Fondiaria-Sai, in the final months of the year, verified the possibility of concluding with the De Longhi Holding Group a settlement agreement which would set - in place of that contractually established for 2011 - price adjustment procedures for sums still pending and governed by the sales contract.

Therefore we preliminarily carried out, through the relevant Group technical structures, a simulation of the calculations, concluding with an estimate of a range between Euro 9 million and Euro 11 million for the total net amount which De Longhi Holding would have recognised Fondiaria-Sai on the finalisation of all the outstanding matters in relation to the sales contract and which Fondiaria-Sai would have paid to Milano Assicurazioni based on that reported above.

Considering the substantial similarity between the result of the verification of the sufficient strength of the claims reserves in relation to that originally contracted, of the cost of the expert opinion established by the procedure, of the duration of some bond policies issued by Liguria Assicurazioni during the management of De Longhi, which would have postponed the calculation of the amounts until at least 2016, the parties decided to sign an agreement with consideration of Euro 10 million in settlement of all outstanding matters relating to the sales contract.

The amount was recognised by Milano Assicurazioni as a receivable from the parent company Fondiaria-Sai and as a reduction in the value of the investment.

During the year losses on receivables were recorded for Euro 127,805 thousand, of which Euro 109,630 thousand refer to receivables from policyholders for premiums and Euro 18,175 thousand to other receivables. In relation to the cancellation of receivables from policyholders, we provide the following information on the principal classes:

Motor TPL	51,124
Land vehicles	7,256
Total Division – Motor	**58,380**
Accident	6,569
Fire	10,175
General TPL	8,743
Other Non-Life Classes	16,157
Total Non-Life Division	**100,024**
Life Division	**9,606**
TOTAL	**109,630**

Write-downs against policyholders for premiums were principally based on a statistical model of historical payments made.

Section 6

Other assets (account F)

	2010	2009	Change
TANGIBLE ASSETS AND INVENTORIES:			
1. Furniture, EDP and internal transport	1,436	1,047	389
2. Tangible assets recorded in public registers	172	204	- 32
3. Plant and equipment	-	1	- 1
4. Stocks and other assets	-	-	-
CASH AND CASH EQUIVALENTS:			
1. Bank and postal deposits	209,463	176,006	33,457
2. Cheques and cash on hand	51	9	42
TREASURY SHARES	8,081	13,899	- 5,818
OTHER ASSETS			
1. Receivable transitory reinsurance accounts	323	406	- 83
2. Other assets	411,662	238,698	172,964
TOTAL	**631,188**	**430,270**	**200,918**

The *bank deposits* include:
- Euro 189,676 thousand of deposits denominated in Euro, of which Euro 115,445 thousand relate to the group company Banca Sai;
- Euro 19,787 thousand of deposits denominated in foreign currencies.

The *transitory asset accounts from reinsurance* include the loss of a technical nature for the indirect business and ceded, as the counter-entry of operations recorded in the accounts with the reinsurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result of each contract.

The account *other assets* is composed of the principal amounts:

Deferred tax assets	268,572
Actuarial reserve tax as per Leg. Decree No. 209/02	10,349
Transit account between non-life and life division	76,565
Indemnities paid to agents terminated, whose commissions are in the course of application.	11,558

The transit account between non-life and life management was zero in January 2011.

The account *Deferred tax assets* recorded the following changes:

Initial amount	183,460
Deferred tax assets arising in the year	101,236
Deferred tax assets cancelled in the year	- 16,329
Other changes	205
Closing balance	**268,572**

The temporary differences deductible relating to the deferred tax asset principally relate to:

- The excess of the adjustments on insurance receivables of the years from 2000 to 2004 compared to the limit of 0.60% of the amount of the receivables, deductible on a straight-line basis over eighteen years;
- The excess of the adjustments on insurance receivables of the years from 2005 to 2007 compared to the limit of 0.40% of the amount of the receivables, deductible on a straight-line basis over eighteen years;
- The excess of the adjustments on insurance receivables of the years from 2008 to 2010 compared to the limit of 0.30% of the amount of the receivables, deductible on a straight-line basis over eighteen years;
- The doubtful debt provision and the provision for risks and charges;
- Adjustments to the value on equity investments, which are not within the *participation exemption* regime;
- The quota of the increase of the claims reserve which for the part relating to the long-term component is deductible over eighteen years;
- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni of Euro 34,648 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group, amounting overall to Euro 22,212 thousand.

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

- a reasonable certainty exists of future assessable tax income which can absorb the losses within a five year period from which they are deductible in accordance with the applicable tax regulations;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

The possibility that the benefits related to the tax losses will be realised was analysed based on the 2011 Budget, recently approved by the Board of Directors of the Company and on the outlook for the coming years, taking account of the performance indicators drawn up by management, also considering that established for the purposes of the impairment tests on goodwill carried out in the consolidated financial statements.
A significant part of the recognised benefit will be absorbed in the coming two years.
The benefit related to the losses recorded by subsidiaries participating in the tax consolidation was allocated to the Risks Provision, consequently creating a neutral impact on the income statement. Based on the agreement concerning the rules for application of the tax consolidation, this benefit devolves to the parent company Milano Assicurazioni only for the part not separately utilisable by the subsidiary companies based on the assessable income produced by them in the five-year period subsequent to the recording of losses.
The utilisation of the risk provisions with the consequent recording of the benefit will take place at the end of the five-year period for the entire amount or the lesser amount based on the above-stated condition.
The total of the temporary differences deductible taken into consideration amount to Euro 963,296 thousand, corresponding to deferred tax assets of Euro 268,572 thousand determined separately for IRES income tax and IRAP regional tax in accordance with the tax rates applicable.

The temporary deductible differences for which no deferred tax asset was calculated amounted to Euro 94,158 thousand and relate to the quota of the provisions made against costs of uncertain deductibility.

Section 7

Prepayments and accrued income (account G)

	2010	2009	Change
ACCRUED INCOME			
1. Interest	69,513	79,518	- 10,005
2. Rental	8	8	-
3. Others	-	-	-
PREPAYMENTS			
1. Interest	-	-	-
2. Rental	54	147	- 93
3. Others	-	-	-
TOTAL	**69,575**	**79,673**	**- 10,098**

The accrued interest principally relates to coupons on bonds.

Balance Sheet - Liabilities

Section 8

Shareholders' Equity

	2010	2009	Change
1. Share capital	305,851	305,851	-
2. Share premium reserve	718,147	718,147	-
3. Revaluation reserve	1,277	1,277	-
4. Legal reserve	51,679	51,013	666
5. Statutory reserves	-	-	-
6. Reserves for treasury shares and shares of holding companies	197,387	252,741	- 55,354
7. other reserves	649,600	634,705	14,895
8. Retained earnings	-	-	-
9. Profit/(loss) for the year	- 512,679	13,331	-526,010
TOTAL	**1,411,262**	**1,977,065**	**-565,803**

At December 31, 2010, the share capital, unchanged on the previous year, was comprised of 588,175,656 shares of Euro 0.52 nominal value, of which 557,435,774 were ordinary shares and 30,739,882 saving shares.

The revaluation reserves are composed as follows:

Monetary revaluation reserves Law 72/83	208
Monetary revaluation reserves Law 342/2000, applied in relation to the building Nava, incorporated in 1999	1,069
TOTAL	**1,277**

The legal reserve increased following the Shareholders' Meeting resolution of April 22, 2010 on the allocation of the 2009 result.

The reserve for treasury shares or those of holding companies is composed of:

9,982,557 Fondiaria-Sai shares	182,262
9,157,710 Premafin shares	7,044
6,764,860 Treasury shares	8,081
TOTAL	**197,387**

During the year no acquisitions of treasury shares or of parent company shares took place.

The account *other reserves* comprises:

Extraordinary reserve	277,493
Previdente Vita merger reserve	73,137
Immobiliare Lira real estate merger reserve	2,687
Italia Assicurazioni merger reserve	21,873
Nuova Maa merger reserve	152,887
Maa Vita merger reserve	2,800
Sasa merger reserve	71,889
Sasa Vita merger reserve	12,993
Meridiano Eur merger reserve	7,070
Meridiano Orizzonti merger reserve	4,697
Dialogo Vita merger reserve	800
Reserve for purchase of treasury shares	12,500
Reserve for purchase of holding company's shares	4,500
Special life division reserve	4,260
Reserve for transfer of assets from class C to class D	14
TOTAL	**649,600**

The extraordinary reserve increased compared to the previous year by Euro 6,898 thousand due to the following:

- net utilisation of Euro 45,956 thousand following the distribution of dividends resolved by the Shareholders' Meeting of April 22, 2010;
- increase of Euro 55,354 thousand for the transfer from the reserves for treasury shares and for parent company shares, adjusted based on the carrying value at December 31, 2010, of the shares in portfolio;
- decrease of Euro 2,500 thousand for the transfer from the reserve for purchase of Treasury Shares, based on that approved at the above-stated Shareholders' Meeting of April 22, 2010.

The merger reserve of Meridiano Orizzonti of Euro 4,697 thousand was recorded following the previously mentioned merger by incorporation into Milano Assicurazioni of the wholly-owned subsidiary Meridiano Orizzonti s.r.l. in the year. The reserve relates to the merger surplus following the elimination of the book value relating to the investment held by Milano Assicurazioni (Euro 50,010 thousand) compared to the net equity of the incorporated company (Euro 54,707 thousand).
Similarly the merger reserve of Dialogo Vita comprises the merger surplus recorded following the merger of Dialogo Vita into Milano Assicurazioni at the end of 2010.

The reserve for purchase of treasury shares increased from Euro 10,000 thousand at the end of 2009 to Euro 12,500 thousand following that approved by the Shareholders' Meeting of April 22, 2010.

The reserve for the shares of the parent company to be acquired is unchanged on the previous year following the Shareholders' Meeting resolution of April 22, 2010 (Euro 3,750 thousand for shares of the direct parent company Fondiaria-SAI and Euro 750 thousand for shares of the indirect parent company Premafin).

The reserve for transfer of assets from class C to class D includes the difference between the carrying value and current value of the bonds transferred to the class "Investments relating to services linked with investment funds and market indices". The amount is unchanged on the previous year.

A summary of the changes in the shareholders' equity during the year is shown in the table below.

Statement of changes in shareholders' equity

(in Euro)

	Share capital	Capital reserves	Net result for the year	Total
Balance at 31/12/2008	**305,851,341**	**1,723,316,212**	**15,389,476**	**2,044,557,029**
Allocation of profits:				
Dividend ordinary shares			-8,260,064	-8,260,064
Dividend savings shares			-940,640	-940,640
Reserves		6,188,772	-6,188,772	0
Utilisation reserves				
Further dividend ordinary shares		-74,340,573		-74,340,573
Further dividend savings shares		-4,149,884		-4,149,884
Cancellation surplus for merger of Meridiano Eur		7,070,025		7,070,025
Change "transfer reserve for assets from class C to class D"		-201,700		-201,700
Profit for the year			13,330,681	13,330,681
Balance at 31/12/2009	**305,851,341**	**1,657,882,852**	**13,330,681**	**1,977,064,874**
Allocation of profits:				
Dividend ordinary shares			-11,013,418	-11,013,418
Dividend savings shares			-1,094,340	-1,094,340
Reserves		1,222,923	-1,222,923	0
Utilisation reserves				
Further dividend ordinary shares		-44,053,673		-44,053,673
Further dividend savings shares		-2,459,191		-2,459,191
Cancellation surplus for merger of Meridiano Orizzonti		4,696,863		4,696,863
Cancellation surplus for merger of Dialogo Vita		800,588		800,588
Loss for the year			-512,679,407	-512,679,407
Balance at 31/12/2010	**305,851,341**	**1,618,090,362**	**-512,679,407**	**1,411,262,296**

Section 9

Subordinated liabilities (account B)

	2010	2009	Change
Subordinated loans	**150,000**	**150,000**	**-**

The account comprises:

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

Section 10

Technical reserves (account C.I. - Non-life division and C.II. Life division)

	2010	2009	Change
NON-LIFE DIVISION			
1. Unearned premium reserve	1,088,058	1,087,097	961
2. Claims reserve	3,768,586	3,677,225	91,361
3. Reserve for profit sharing and reversals	-	-	-
4. Other technical reserves	3,185	3,413	- 228
5. Equalisation reserves	12,402	10,854	1,548
LIFE DIVISION			
1. Actuarial reserves	3,539,474	3,493,419	46,055
2. Reserves for complementary insurances	201	237	- 36
3. Reserve for claims to be paid	47,280	38,211	9,069
4. Reserve for profit sharing and reversals	-	-	-
5. Other technical reserves	19,652	21,392	- 1,740
TOTAL	**8,478,838**	**8,331,848**	**146,990**

The *unearned premium reserve* includes Euro 1,081,288 thousand of premium fraction reserve for direct business, Euro 6,012 thousand for the reserve for risks in course and Euro 758 thousand of unearned premium reserve relating to indirect business.

The direct business unearned premium reserve was calculated with the pro-rata temporis method, taking account of the expected legal amendments.
The reserve for risks in course comprises, as set out in Chapter II, Section I of ISVAP Regulation No. 16 of March 4, 2008, the provision to cover the risks arising after the year-end to meet all indemnities and expenses deriving from insurance contracts agreed before this date, in order that the expected costs of these risks exceed the reserve for premium fraction increased by the premiums, which will be due on these contracts.
The evaluation for the creation of the reserve is made based on an empirical calculation procedure constructed on the ratio of claims to premium for the current generation recorded in the accounts and valued also taking into account values assumed from the ratio from previous years to evaluate the reasonableness of the assumption that this ratio can be of a repetitive nature in the following year.

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

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

The table below shows the breakdown of the premium reserves by class.

	- Reserve for fractions of premium	**Reserve for current risks**	**Indirect premiums reserve**
Accident	67,917		
Health	19,889		
Land vehicles	94,519		
Railway	-		
Aviation	6,596		
Maritime	1,297	160	
Goods in transit	1,661		
Fire	104,053		81
Other damage to property	71,139		
Motor TPL	550,678		
Aviation TPL	1,110		
Maritime TPL	1,598		
General TPL	87,468	5,852	342
Credit	48		
Bonds	46,163		335
Pecuniary losses	15,688		
Legal protection	2,872		
Assistance	8,592		
TOTAL	**1,081,288**	**6,012**	**758**

The claims reserves for direct business amounts to Euro 3,739,018 thousand and claims relating to inward reinsurance amount to Euro 29,568 thousand. The direct business reserves include Euro 3,547,660 thousand of reserves for indemnities and direct expenses and Euro 191,358 of reserves for settlement expenses. These amounts comprise Euro 348,271 thousand accrued against claims referring to the year but not yet reported at the balance sheet date (I.B.N.R. claims reserve).

The *other non-life technical reserves* include the aging reserve of the health class, which offsets the greater risk due to the increased life span of the policyholders. It was made separately for each contract utilising technical-actuarial criteria in accordance with article 47, point 2, of ISVAP regulation No. 16 of March 4, 2008.

The actuarial reserves for direct life business amount to Euro 3,537,598 thousand, while the residual amount of Euro 1,876 thousand relates to indirect business.
The technical direct business reserves are calculated analytically for each contract based on the pure commitments, without subtraction of the acquisition expenses. The base calculation techniques (interest rates, demographic assumption for eliminations for death or invalidity and frequency of abandon) are the same utilised for the calculation of the premiums of the individual contracts. In any case, the actuarial reserve is not lower than the redemption values.

The account other technical reserves - life division includes:

Future expense reserves:	
Class I	12,908
Class III	1,902
Class IV	127
Class V	3,673
Supplementary reserves (article 26, paragraph 2 of Isvap Regulation No. 21/2008):	
Class I	72
Class V	970
TOTAL	**19,652**

The following information is attached:
- statement of changes in the premiums reserve items (account C.I.1) and the claims reserve items (account C.I.2) and the non-life division (attachment 13);
- statement of changes in the actuarial reserve items (account C.II.1) and the claims reserve items (account C.I.2) and the reserve for profit sharing and premium refunds (account C.II.4) (attachment 14).

Section 11

Technical reserves where investment risk borne by policyholders and reserves from pension fund management (account D)

	2010	2009	Change
I. Reserves relating to the performance of investments funds and market indices	226,043	274,192	- 48,149
II. Reserves derived from pension fund management	13,907	9,157	4,750
TOTAL	**239,950**	**283,349**	**- 43,399**

The reserves relating to the performance of investments funds and market indices concern:
- products with services related to the performance of primary equity market indices for Euro 182,348 thousand;
- contracts for services related to internal and external investment funds for Euro 43,695 thousand.

The reserves deriving from the management of the pension funds relate to the Milano Assicurazioni Open Pension Fund, structured over six investment lines and operational from June 2007. The breakdown of the reserve by line of investment is as follows:

Milano Bond	4,067
Milano Gest	3,569
Milano Mix	1,821
Milano Europa	1,466
Milano Global	1,594
Milano Premium TFR	1,389
TOTAL	**13,906**

Relating to the minimum guarantees offered to the policyholders, it is noted that:

- Index linked: in cases of predeceasing an additional service is guaranteed based on the age of the policyholder at the contract date;
- Unit Linked: in case of predeceasing an additional service is guaranteed equal to an increase in the value of the quota acquired based on the age reached at the moment of death;
- Pension Funds: for the segments Milano Premium TFR, Milano Gest and Milano Bond the payment of a minimum guaranteed amount recognised in the case of the exercise of the pension right, surrender for death, permanent invalidity or unemployment for over 48 months. The minimum guaranteed amount is equal to the sum of the net contributions paid, increased by 1.25% on an annual basis in the Milano ELI Premium segment and 2% on an annual basis in the Milano Gest segment and 2.5% in the Milano Bond segment.

The amount at December 31, 2010 of the actuarial reserves generated from these additional guarantees was Euro 1,774 thousand, recorded in the account C.II.1 - actuarial reserves.

Section 12

Provisions for risks and charges (account E)

	2010	2009	Change
1. Pension and similar obligations	-	-	-
2. Tax provisions	41,170	21,541	19,629
3. Other provisions	140,930	85,078	55,852
TOTAL	**182,100**	**106,619**	**75,481**

The tax provisions include deferred tax liabilities at the end of the year, the residual tax payable for substitute taxes on the gain recognised on the conferment of properties to the Rho Fund and the future charges related to the tax assessments in progress.

The changes in the deferred tax liability during the year were as follows:

Initial amount	16,652
Deferred tax liabilities arising in the year	-
Deferred tax liabilities cancelled in the year	-2,975
Other changes	1,467
CLOSING BALANCE	**15,144**

The temporary taxable differences relating to the deferred tax liability principally concern:

- Capital gains which, in accordance with tax regulations, may be taxed on a straight line basis in the year in which they were realised and subsequent years up to a maximum of four years;
- Depreciation on buildings deducted in the income tax declaration;
- The quota assessable of the write back of securities in portfolio, written down in previous years.

The deferred tax liabilities cancelled in the year principally derive from the quota of gains realised in previous years and deductible over a number of years for tax purposes.

The total temporary taxable differences amounts to Euro 50,599 thousand, with corresponding deferred tax liabilities of Euro 15,144 thousand, determined separately for IRES income tax and IRAP regional tax in accordance with the tax rates applicable.
The temporary taxable differences for which no calculation was made of the deferred tax liability amounted to Euro 4,788 thousand and relates to the reserve for suspension of taxes recorded under equity for which it is expected that the operations will not take place.

The account *Other provisions* includes the reasonable valuation of the future charges and risks existing at the balance sheet date, also deriving from disputes in course.
In particular:
- Euro 112,425 thousand relating to provision for risks, also related to disputes with the discontinued agencies and other disputes in course.
- Euro 28,505 thousand relating to provisions for future charges.

Attachment 15 shows the changes in the year in the provision for risks and charges.

Section 13

Payables and other liabilities (account G)

Payables	2010	2009	Change
PAYABLES, DERIVED FROM DIRECT INSURANCE OPERATIONS, COMPOSED OF			
1. Insurance brokers	14,582	25,402	- 10,820
2. Insurance company current accounts	14,077	14,233	- 156
3. Policyholders for deposits and premiums	-	466	- 466
4. Policyholder guarantee provisions	65	28	37
PAYABLES, DERIVED FROM REINSURANCE OPERATIONS, COMPOSED OF:			
1. Insurance and reinsurance companies	32,519	26,498	6,021
2. Reinsurance brokers	-	2,605	- 2,605
BONDS	-	-	-
PAYABLES TO BANKS AND FINANCIAL INSTITUTIONS	-	-	-
PAYABLES WITH COLLATERAL	-	-	-
LOANS AND OTHER FINANCIAL PAYABLES	1,506	1,065	441
EMPLOYEE LEAVING INDEMNITY PROVISION	23,569	25,571	- 2,002
OTHER PAYABLES:			
1. Policyholders' tax due	15,826	16,017	- 191
2. Other taxes due	17,864	18,737	- 873
3. Social security and welfare institutions	8,259	9,195	- 936
4. Other payables	132,287	155,614	- 23,327
TOTAL	**260,554**	**295,431**	**- 34,877**

The changes during the year of the Employee Leaving Indemnity were as follows:

Balance at the beginning of the year	25,571
Revaluations	635
Provision matured during the year	5,435
Payments during the year	- 3,202
Employee leaving indemnity allocated to pension funds	- 4,878
Other changes	8
Balance at the end of the year	**23,569**

The changes are also shown in attachment 15 of the present notes.

The account *other payables* include the following principal amounts:

Payables to Gruppo Fondiaria -Sai Servizi S.c.r.l. for services obtained relating to the overheads structure at group level	92,697
Payables to suppliers for the purchase of goods and services	26,581

The payables to the Fondiaria-Sai Servizi consortium are to be considered together with the receivables from the consortium, principally for personnel expenses, recorded to the account "*other receivables for invoices issued and to be issued*" (Euro 80,507 thousand).

Other liabilities	**2010**	**2009**	**Change**
Payable transitory reinsurance accounts	462	841	- 379
Commissions on premium collection	44,676	55,035	- 10,359
Other liabilities	159,389	107,787	51,602
TOTAL	**204,527**	**163,663**	**40,864**

The transitory liability accounts from reinsurance include the positive income values of a technical nature for the indirect business and ceded, as the counter-entry of operations recorded in the accounts with the insurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result of each assumption.

The account *other liabilities* include the following principal amounts:

Payments for claims in the non-life classes and sums in the life division in course of execution at the balance sheet date	29,281
Premiums on claim excess reinsurance	8,092
Transit account between non-life and life division	76,565
Over-accruals for the period, to be paid	9,794

Section 14

Accrued liabilities and deferred income (account H)

	2010	2009	Change
ACCRUED LIABILITIES			
1. Interest	3,597	3,708	- 111
2. Rental	-	-	-
3. Others	-	-	-
DEFERRED INCOME			
1. Interest	-	-	-
2. Rental	10	8	2
3. Others	-	-	-
TOTAL	**3,607**	**3,716**	**- 109**

This account accrued interest can be broken down as follows:

- Euro 686 thousand for interest matured at December 31 for a residual amount of Euro 50 million of the subordinated loan provided by Mediobanca in 2006 for an original amount of Euro 150 million. This loan provides for an interest rate at Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. The loan may also be repaid in advance, including partially, from the tenth anniversary of the loan and with authorisation from ISVAP.
- Euro 2,178 thousand for interest matured at December 31 on sub-ordinated loans provided to Milano Assicurazioni by Mediobanca in July 2008.
  This loan is of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to a limit of 50% of the lower value between the available margin and the solvency margin requested. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months +350 basis points for the first ten

years and subsequently 450 basis points. The repayment may be made in one repayment after 10 years.

- Euro 733 thousand for interest matured at December 31 on Interest Rate Swap contracts on a nominal Euro 50 million signed on December 4, 2008 with the counterparty HVB, with effect from January 14, 2009 and expiry on July 14, 2016. Based on this contract, Milano Assicurazioni pays to the counterparty a fixed annual rate of 3.18% and receives from the counterparty the Euribor rate at 6 months.

Section 15

Assets and liabilities relating to group companies and other investments

In attachment 16, the assets and liabilities concerning group companies and other holdings are shown.

Section 16

Receivables and payables

These receivables and payables are due within one year except where specified below.

The account C.III.4 under assets, Loans, includes Euro 24,627 thousand of loans on life policies, generally related to the residual duration of the relative contracts and in any case with possibility of advanced repayment by the policyholders.

The account E *receivables* includes Euro 50,211 thousand of receivables from insurance brokers, principally related to the termination of mandates, due beyond one year, of which Euro 24,286 thousand is due over five years.

Section 17

Guarantees, commitments and other memorandum accounts

	2010	2009	Change
GUARANTEES GIVEN			
1. Guarantees	-	-	-
2. Endorsements	-	-	-
3. Other non-secured guarantees	-	-	-
4. Secured guarantees	50,825	49,809	1,016
TOTAL	**50,825**	**49,809**	**1,016**
GUARANTEES RECEIVED:			
1. Guarantees	227,857	249,223	-21,366
2. Endorsements	-	-	-
3. Other non-secured guarantees	449	449	-
4. Secured guarantees	400	425	-25
TOTAL	**228,706**	**250,097**	**-21,391**
GUARANTEES PROVIDED BY THIRD PARTIES ON BEHALF OF THE COMPANY	45,548	44,479	1,069
COMMITMENTS	147,967	250,292	-102,325
THIRD PARTY ASSETS	-	3	-3
PENSION FUND ASSETS MANAGED ON BEHALF OF THIRD PARTIES	-	-	-
SECURITIES DEPOSITED WITH THIRD PARTIE S	7,981,643	8,366,123	-384,480
OTHER MEMORANDUM ACCOUNTS	75,011	63,761	11,250

Attachment 17 shows the details of the guarantees given, guarantees received as well as commitments.

Guarantees given

The secured guarantees principally relate to bank deposits in which a pledge was registered in relation to disputes in course.

Guarantees received

The sureties account comprises:
- the guarantees received by the agents in compliance with their mandates amounted to Euro 224,268 thousand;
- the guarantees received by lessees amount to Euro 1,536 thousand;
- Various guarantees amounting to Euro 2,052 thousand.

Guarantees provided by third parties on behalf of the company

The account includes principally the surety of Euro 36,751 thousand given in favour of Consap guaranteeing the commitments deriving from the CARD convention, which governs the method of direct compensation in the Motor TPL division.

Commitments

These comprise:
- Euro 26,700 thousand of loans granted as *Profit Partecipating Bonds* to the associated company Garibaldi S.C.A. in relation to the real estate project Garibaldi Repubblica, already described in detail;
- Euro 8,700 thousand of loans granted as *Profit Partecipating Bonds* to the associated company Isola S.C.A. in relation to the Milano Isola real estate project, also described in detail in the Directors' Report;
- Euro 51,400 thousand still to be paid in relation to the real estate operations at Milan-Isola (Euro 43,100 thousand) and Rome, Via Fiorentini (Euro 8,300 thousand). These operations are described in detail in the directors' report, in the section in relation to related party transactions, to which reference should be made for further information;
- Euro 45,980 thousand for securities to be delivered and Euro 15,187 thousand for securities to be received, recorded against sales/purchase operations made in 2010 but settled at the beginning of 2011.

Securities deposited with third parties

The account principally includes the securities of properties of the company held in custody by credit institutions or other parties; the breakdown by depository entity is as follows:

Group companies (including Banca Sai)	6,115,504
Credit institutions	1,658,090
Other depository entities	208,049
TOTAL	**7,981,643**

Other memorandum accounts include:
- an Interest Rate Swap operation on a nominal amount of Euro 50 million;
- a credit default swap operation on a nominal amount of Euro 13,761 thousand, to cover the risk of insolvency on some issuers of bond securities in portfolio;
- Range Accrual Swap contracts on a nominal Euro 11,250 thousand.

Income Statement

Section 18

Information on the technical account of non-life business (I)

Attachment 19 shows the information on claims relating to the technical account of the non-life division - Italian and Foreign portfolios.

In accordance with Isvap Regulation No. 22 of April 4, 2008, the *Quota of income transferred from the non-technical account* is zero as due to the significant impairments on the equities and investment portfolio a net charge was recorded on investments attributable to the non-life classes.

The account 1.3 *other technical income* principally includes:
- the reversal of the commissions relating to the premiums written in previous years, cancelled in the current year (Euro 18,162 thousand);
- technical accounts relating to outward reinsurance (Euro 7,209 thousand).

Within the direct business, the reserve for claims existing at the beginning of the year resulted in a reversal of Euro 346,372 thousand, as follows:

	2010	2009
Existing claims reserve at beginning of year	3,657,124	3,527,053
Indemnities paid during the year	- 1,450,247	- 1,336,720
Claims reserve at the end of the year	- 2,577,727	- 2,393,276
Recoveries and changes for sums to be recovered	24,478	27,005
Difference	**- 346,372**	**- 175,938**

The reversal is essentially due to:
- the renewed significant strengthening of the Motor TPL class claims reserve in light of the current situation of increasing average costs and also the adoption of the new physical injury compensation tables by the major Italian courts;
- the negative prior year claims performance of the General TPL class, particularly by the corporate and public body sectors.

The account *commissions and profit participation* received from reinsurance companies includes Euro 7,231 thousand of profit participation matured from reinsurance companies in application of specific contractual clauses.

The account 1.8 *other technical charges* includes, for Euro 100,024 thousand, the analytical calculations and the write-downs for non collectible receivables from policyholders for premiums, recorded in this account in accordance with ISVAP Regulation No. 22 of April 4, 2008.

The change in the equalisation reserves (account I.9) of Euro 1,549 thousand relate to the reserve for natural calamities provisioned according to Ministerial Decree No. 705 of November 19, 1996, accruing 2% of the premiums related to the insurance contracts of the natural calamity risks or 0.30% where the insurance contract also guarantees other risks and the premium relating to these are not separately identified.

The equalisation reserves are provisioned in order to reduce the volatility in the movements in the claim rate in future years or cover specific risks, in accordance with Isvap Regulation No. 16/2008, paragraph III.

The following table shows the details by class at December 31, 2010:

Accident	600
Health	10
Land vehicles	3,798
Aviation	88
Maritime	54
Goods in transit	256
Fire and natural elements	7,035
Other damage to property	428
Credit	34
General pecuniary losses	99
TOTAL	**12,402**

Section 19

Information concerning the life technical account (II)

Account II.4 **other technical income** principally includes the management commissions relating to the internal funds related to unit-linked life products (Euro 539 thousand) as well as the reversal of the commissions related to the premiums of the previous years cancelled or written down during the year (Euro 256 thousand).

There were no differences recorded between the amount of the reserve for sums to be paid existing at the beginning of the year and the sums paid to beneficiaries of the contracts during the year for claims from previous years as well as the amount of the residual reserve at the year-end.

The account *commissions and profit participation* received from reinsurance companies includes Euro 2,477 thousand of profit participation matured from reinsurance companies in application of specific contractual clauses.

As for that stated in relation to the non-life technical account, the account II.11 *other technical charges* includes, for Euro 9,606 thousand, the cancellations and the write-downs for non collectible receivables from policyholders for premiums, recorded in this account in accordance with ISVAP Regulation No. 22 of April 4, 2008.

In accordance with that established by Isvap Regulation No. 22 of April 4, 2008, the *Quota of investment income transferred from the non-technical account* is zero as following the significant adjustments on the securities and investment portfolio the net income from investments attributable to life management is lower than the amount of profits contractually guaranteed to policyholders in the year.

The following information is attached:
- summary information and reinsurance balance (attachment 20);
- breakdown of investment income - account II.2 (attachment 21);
- the details of income and gains not realised relating to investments in which the risk is borne by the policyholders and from the management of pension funds – account II.3 (attachment 22);
- breakdown of asset and financial charges - account II.9 (attachment 23);
- the details of financial and asset charges and losses not realised relating to investments in which the risk is borne by the policyholders and from the management of pension funds – account II. 10 (attachment 24).

Section 20

Development of the technical accounts

Non-life insurance

Attachment 25 shows the summary of technical accounts by each class - Italian portfolio.

All the costs and revenues directly related to the purchase of premiums and settlement of claims are allocated, from their origin, to the class they belong to. The accounts common to several classes are divided as follows:
- based on the premiums issued the *other administration expenses*;
- based on the commissions issued the *other acquisition expenses*;
- based on the number of damage claims paid, calculated by class based on specific parameters, for the settlement expenses not directly allocated to the individual claims or classes.

Attachment 26 shows the summary of technical accounts for all of the non-life class - Italian portfolio.

Life insurance

Attachment 27 shows the summary of technical accounts by each class - Italian portfolio.
All the costs and revenues directly related to the purchase of premiums and the settlement of claims are allocated, from their origin, to the class they belong to. The common accounts to several classes are divided between the classes as follows:
- based on the number of policies in portfolio the other administration expenses;
- based on the number of new policies the other acquisition expenses.

Attachment 28 shows the summary of technical accounts for all of the life class - Italian portfolio.

Non-life and life insurance

Attachment 29 shows the claims of the technical accounts summarised for all the life and non-life classes - indirect business.

Section 21

Information concerning the non-technical account (III)

The following information is attached:
breakdown of investment income - account III.3 (attachment 21);
breakdown of asset and financial charges - account III.5 (attachment 23).

We provide the following details on the most significant accounts:

Other income (account III. 7):

Interest income from bank deposits	1,072
Interest on receivables	2,148
Recovery of expenses and administrative cost	86,055
Utilisation of provision for risks and charges	2,217
Income from conversion of items expressed in foreign currency	12,828
Other income	1,838
TOTAL	**106,158**

The interest on receivables includes principally interest on receivables from Agents for compensation for the ending of mandate (Euro 1,362 thousand) and interest on tax receivables (Euro 518 thousand).
The recovery of expenses and administration charges, which are offset against other charges, principally relate to recharges to the consortium company Gruppo Fondiaria-Sai Servizi (for Euro 80,549 thousand) for the secondment of personnel belonging to the unified group level organisational structure.
Therefore, for the services provided to the consortium company recharges were received for Euro 166,445 thousand, recorded in the income statement based on the nature of the expenses.

The utilisations from the provisions for risks and charges were made against the charges incurred in the year or more updated valuations on the risks.

The gains from the translation of foreign currencies relate to the exchange differences realised during the year, as well as adjustments, at year-end, to accounts in the balance sheet in foreign currencies. Net exchange gains of Euro 8,204 thousand were recognised to the income statement, taking account of that recorded to Other Charges.

Other charges (account III. 8)

Administrative costs/expenses incurred for third parties	86,055
Specific provisions	79,669
Goodwill amortisation	18,902
Conversion charges of foreign currencies	4,624
Losses on receivables	18,175
Interest on payables and loans	6,732
Other taxes	698
Other charges	8,683
TOTAL	**223,538**

The provisions for risks and charges relate to disputes at the balance sheet date and future assessable taxes in progress. These include, in particular, Euro 30,003 thousand concerning the tax benefit on losses recorded by the subsidiary companies which participate in the group tax consolidation.
The current tax losses of the subsidiary companies included in the tax consolidation which may be utilised by Milano Assicurazioni to reduce its own assessable taxes in the coming 5 years form the basis of deferred tax income recorded in the *income taxes* account of the income statement. The tax benefit related to these losses was accrued to the risk provision, neutralising the income statement impact, as - based on the application rules of the tax consolidation - this benefit devolves to the parent company Milano Assicurazioni only for the part not separately utilisable by the subsidiary companies based on the assessable income produced by them in the five-year period subsequent to the recording of losses.
The utilisation of the risk provisions with the consequent recording of the benefit will take place at the end of the five-year period for the entire amount or the lesser amount based on the above-stated condition.

The account *amortisation of goodwill* is detailed in the following table:

	Depreciation	Residual goodwill
The goodwill recorded following the merger by incorp oration of Lloyd Internazionale S.p.A. in 1991	2,429	-
The goodwill recorded in 1992 following the acquisition of the Card S.p.A. insurance portfolio	4,133	4,132
The goodwill deriving from the acquisition of the insurance portfolio of Latina Assicura zioni S.p.A. in 1992	3,908	7,165
The goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A., originally acquired from Previdente Vita (formerly Latina Vita) in 1993	1,846	3,539
The goodwill deriving from the acquisition of the port folio of Maa Assicurazioni by Nuova Maa, incorporated in Milan in 2003	5,921	23,684
The goodwill deriving from the acquisition of the insurance portfolio Profilo Life by Maa Vita, incorporated in Milan in 2003	150	-
The goodwill recorded in 2003 followin g the merger by incorporation of Maa Vita	515	1,030
TOTAL	**18,902**	**39,550**

Goodwill is amortised on a straight line basis over 20 years with the exception of goodwill recorded in 2003 following the merger by incorporation of Maa Vita, which is amortised over 10 years.
These periods are considered appropriate, taking into account the characteristics of the portfolio to which they refer as well as the specific insurance activity and of the long-term prospects based on which the investments in the sector were made.

The losses on receivables relate principally to receivables from agents for end of mandate indemnities paid and not recoverable and commissions on long-term contracts reversed following the advanced cancelation of these contracts.

Interest on loans received principally refer to the charges relating to the subordinated loans, already described in the present notes, in section 9 of the relative account in the balance sheet.

The **other charges** include, among other, costs related to departing personnel.

Extraordinary income (account III. 10)

These comprise:

Profits to be realised on buildings	56,928
Profits from trading of shares and holdings	51
Trading profits on bond securities	16,767
Prior year income	6,612
Gains on sales of other assets	6
TOTAL	**80,364**

Profits to be realised on buildings essentially relate to:

- the sale of the building located in Milan, Via Cordusio No. 2. This is a prestigious mixed use building with a high value based on its architectural characteristics, its location in the historic centre of Milan and the recent investments made which will ensure a significant return. The sales price of Euro 105 million resulted in a gain of Euro 49,851 thousand.
- the conferment to the Rho Real Estate fund of the building located in Trieste, Via Tommaso Gulli. The value of the conferment of Euro 10,170 thousand resulted in a gain of Euro 5,129 thousand. The operation completes that resolved by the Boards of Directors of Fondiaria-Sai and of Milano Assicurazioni in October 2009 concerning the optimisation of the real estate portfolio of the companies through conferment to the Rho Fund of some important properties. For further information reference should be made to the Directors' Report.

Prior year income is principally related to tax items (Euro 2,981 thousand), transactions with agents (Euro 914 thousand) and real estate sector transactions (Euro 1,896 thousand).

Extraordinary charges (account III. 11)

Losses from trading of shares and holdings	8,652
Losses on bond securiti es	4,824
Valuation losses on treasury shares	5,818
Prior year charges	2,171
Extraordinary charges	3,241
TOTAL	**24,706**

Equity trading losses relate to the investment in Bipiemme Vita sold in June. Based on the agreements signed the dividend paid by Bipiemme Vita to Milano Assicurazioni in May of Euro 8,670 thousand was subtracted from the sales price paid (Euro 122.1 million) and recorded to income from shares and holdings. As previously announced to the market, the sale therefore had a neutral impact on the income statement for the year.

The *valuation losses on treasury shares* relate to the alignment of the stock market values at year-end to the carrying value of treasury shares held in portfolio.

Extraordinary charges principally comprise the penalties relating to the claims settlement processes.

Income tax for the year (account III.14)

The item is broken down as follows:

Current income taxes:	
Ires income taxes	-
Irap regional tax	-
Deferred tax liabilities arising in the year and deferr ed tax assets cancelled in the year:	
Ires income taxes	14,395
Irap regional tax	1,934
Reduction for deferred tax assets arising in the year and deferred tax liabilities cancelled in the year:	
Ires income taxes	- 107,702
Irap regional tax	- 389
ENDING BALANCE	**-91,762**

As illustrated in the table above, there are no current taxes as a tax loss of approx. Euro 126 million was recorded while the net result of deferred tax income and charges is income of Euro 91,762 thousand.

Deferred tax assets arising in the year include:

- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni of Euro 34,648 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group, amounting overall to Euro 22,212 thousand.

The above-stated tax benefits were recorded to the financial statements when:

- a reasonable certainty exists of future assessable tax income which can absorb the losses within a five year period from which they are deductible in accordance with the applicable tax regulations;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

The verification of the possibility that the benefits related to the tax losses will be gained was carried out based on the 2011 Budget, recently approved by the Board of Directors of the company and on the outlook for the coming years, taking account of the performance indicators drawn up by management.

The benefit related to the losses recorded by subsidiaries participating in the tax consolidation was allocated to the Risks Provision, consequently creating a neutral impact on the income statement. Based on the agreement concerning the rules for application of the tax consolidation, this benefit devolves to the parent company Milano Assicurazioni only for the part not separately utilisable by the subsidiary companies based on the assessable income produced by them in the five-year period subsequent to the recording of losses.
The utilisation of the risk provisions with the consequent recording of the benefit will take place at the end of the five-year period for the entire amount or the lesser amount based on the above-stated condition.

Having fulfilled the necessary requirements, Milano Assicurazioni as the consolidated company, and Fondiaria-SAI as the consolidating company, jointly renewed the Group taxation option in accordance with Article 117 and subsequent of the income tax act for the three year period 2010-12 in order to optimise the overall tax charge.

In 2010 the Company and the consolidating company signed an agreement concerning the rules of the so-called tax consolidation which establishes uniform conditions for all of the companies participating in the tax consolidation of the Fondiaria-SAI Group.

The structure of the agreement establishes a balanced allocation of advantages deriving from the tax consolidation: each consolidated company is recognised potential advantages deriving from the consolidation which will establish a tax position in principle not inferior than that which would have been achieved without the tax consolidation. Therefore, qualifying as a sub-holding, Milano Assicurazioni is guaranteed, in comparison to its subsidiaries, a similar position to that which would have been obtained through exercising the option as a consolidating company in the tax consolidation.

Section 22

Other information on the income statement

The following information is attached:

- schedules of transactions with group companies and in other companies (attachment 30);
- summary of premiums written for direct business (attachment 30);
- summary of costs for personnel, directors, and statutory auditors (attachment 32).

Pursuant to article 78 of CONSOB regulation No. 11971 of May 14, 1999, information is provided on the remuneration to the directors and statutory auditors for all services and in whatever form, also from subsidiary companies and, at an aggregate level, the remuneration paid to senior managers with strategic responsibilities, in whatever form, also from subsidiary companies.

Part C

Other Information

Solvency margin

The solvency margins requested as per article 44 of Legislative Decree 209/2005 (Private Insurance Code) determined in accordance with ISVAP regulation No. 19 of March 14, 2008 is covered with a total excess of Euro 623,557 thousand, as shown in the schedule below:

	Non-Life	Life	Total
Margins to be covered	539,626	159,064	698,690
Constituting elements of the margins	895,062	427,185	1,322,247
Excess	**355,436**	**268,121**	**623,557**
Coverage percentage year 2010	*165.9%*	*268.6%*	*189.2%*
Coverage percentage year 2009	*244.1%*	*311.4%*	*259.7%*

Adjusted solvency

The verification of the adjusted solvency at December 31, 2010, pursuant to article 217 of Legislative Decree 209/2005 and made based on the provisions of Isvap regulation No. 18 of March 12, 2008, reports the following situation:

	2010	2009
Amount of the solvency margin r equested	766,293	860,326
Total elements to be covered	1,190,000	1,624,855
Excess	**423,707**	**764,529**
Coverage percentage	***155.3%***	***188.9%***

The reduction of the required margin compared to the previous year is essentially due to deconsolidation of BPM Vita following the sale of the investment in June 2010. The reduction of the constituting items is principally due to the loss in the current year.

In relation to the calculation, the faculty established by Isvap Regulation No.37 of March 15, 2011 in relation to the verification of the adjusted solvency margin was utilised. Therefore, for the adjusted solvency, the securities issued or guaranteed by European Union states, allocated as non-current were valued based on the carrying amount in the separate financial statements, with a positive impact on the constituting items of Euro 36,250 thousand, corresponding to an improvement in the solvency ratio of 4.7 percentage points.

Covering of Technical Reserves

The tables relating to the coverage of technical reserves as per Isvap Regulation No. 36 of January 31, 2011 are attached to the present notes.

Cash flow statement

The cash flow statement for the year 2010 illustrating the cash flow generated from the operations as well as the uses of liquidity is shown as an attachment.

Milan, March 22, 2011

MILANO ASSICURAZIONI S.p.A.
For the Board of Directors

2010 Condensed Financial Statements

Condensed 2010 financial statements

BALANCE SHEET				(Euro thousands)
		2010		2009
Intangible assets				
Acquisition commissions to be amortised	1,005		1,916	
Formation and start-up costs	0		0	
Goodwill	39,550		58,452	
Other deferred costs	1,060	**41,615**	1,266	**61,634**
Investments				
Land and buildings	711,985		715,180	
Shares and holdings in group companies	827,228		1,061,987	
Bonds issued by group companies	89,207		47,155	
Loans to group companies	0		12,384	
Equity investments and minority holdings	613,027		635,631	
Investment fund units	669,279		722,344	
Bonds and other fixed-income securities	5,697,343		5,734,873	
Loans to third parties	27,535		30,957	
Deposits at credit institutions	0		0	
Other financial investments	56		45,129	
Deposits with reinsuring companies	2,488	**8,638,148**	2,222	**9,007,862**
Investments where risk is borne by life policyholders and pension fund management pension				
Investments related to the performance of investment funds and market indices	226,043		274,192	
Investments derived from pension fund management	13,906	**239,949**	9,157	**283,349**
Receivables				
from policyholders for premiums	298,757		318,642	
from insurance brokers	311,744		337,862	
other receivables from direct insurance operations	57,755		75,713	
receivables from reinsurance operations	63,194		66,421	
other receivables	322,522	**1,053,972**	364,164	**1,162,802**
Other asset accounts				
fixed assets and inventories	1,608		1,252	
cash and cash equivalents	209,514		176,015	
other assets	420,066	**631,188**	253,003	**430,270**
Prepayments and accrued income		**69,575**		**79,673**
Total assets (a)		**10,674,447**		**11,025,590**
Sub-ordinated liabilities		**150,000**		**150,000**
Technical reserves, net of reinsurance				
unearned premium reserve	1,050,106		1,050,411	
claims reserve	3,531,874		3,407,179	
other technical reserves - non-life	15,588		14,266	
technical reserves - life	3,761,231	**8,358,799**	3,737,064	**8,208,920**
Provisions for risks and charges				
provisions for pension and similar	0		0	
tax provisions	41,170		21,541	
other provisions	140,930	**182,100**	85,078	**106,619**
Deposits received from reinsurers		**103,598**		**120,175**
Payables and other liabilities				
from direct insurance operations	28,724		40,129	
from reinsurance operations	32,519		29,103	
loans and other financial payables	1,506		1,065	
employee leaving indemnity	23,569		25,571	
policyholders' tax due	15,826		16,017	
other taxes due	17,864		18,737	
other payables	140,546		164,810	
other liabilities	204,527	**465,081**	163,663	**459,095**
Accruals and deferred income		**3,607**		**3,716**
Total liability (b)		**9,263,185**		**9,048,525**
Net equity (a-b)		**1,411,262**		**1,977,065**
represented by:				
Share capital		305,851		305,851
Capital reserves		1,618,090		1,657,883
Net loss		(512,679)		13,331

Condensed 2010 financial statements

INCOME STATEMENT (Euro thousands)

	Life Division	Non-Life Division	2010	2009
Technical accounts				
Premiums written	501,253	2,703,439	**3,204,692**	**3,143,039**
Change in premium reserves and technical reserves in the life division	-8,090	-1,945	**-10,035**	**-23,304**
Net investment income in life division, net of amount transferred to the non technical account				
Investment income	164,618		**164,618**	**164,129**
Adjust. to values	-133,355		**-133,355**	**65,110**
Unrealised gains on investment	21,613		**21,613**	**27,962**
Income related to invest. with risk borne by policyholders	15,916		**15,916**	**44,369**
Income transferred to the non technical account	0		**0**	**-33,844**
Other income and technical charges	-10,468	-80,401	**-90,869**	**-82,672**
Charges relating to claims	-575,158	-2,382,846	**-2,958,004**	**-2,816,660**
Profit sharing and reversals & var. other technical reserves	0	-38	**-38**	**-75**
Management expenses:				
Commissions and other acquisition expenses	-16,530	-471,321	**-487,851**	**-495,821**
Administration expenses	-10,274	-85,048	**-95,322**	**-88,906**
Technical account	-50,475	-318,160	**-368,635**	**-96,673**
Change in equalisation reserves		-1,549	**-1,549**	**-1,634**
Quota of profit on investment income in non-life transferred from non technical account		0	**0**	**105,807**
Result of the technical accounts	**-50,475**	**-319,709**	**-370,184**	**7,500**
Non technical account				
Net investment income in non-life division, net of amount transferred to the technical account:				
Investment income			**90,302**	**119,229**
Adjust. to values			**-300,356**	**-27,057**
Unrealised gains on investment			**37,519**	**53,047**
Income transferred to the technical account			**0**	**-105,807**
Quota of profit on invest. in life transferred from technical account			**0**	**33,844**
Other income and charges:				
Quota of goodwill amortised			**-18,902**	**-18,902**
Other income and charges			**-98,478**	**-15,968**
Extraordinary income and charges:				
Unrealised gains on non-current investment			**60,271**	**-6,157**
Other extraordinary income and charges			**-4,613**	**-9,135**
Profit/(loss)before taxes			**-604,441**	**30,594**
Income taxes			**91,762**	**-17,263**
Net profit/(loss)			**-512,679**	**13,331**

All the technical accounts are net of reinsurance

2010 Cash Flow Statement

2010 **Cash Flow Statement**

SOURCES OF FUNDS *(in thousands of Euro)*

		2010		2009
Net result for the year		**-512,676**		**13,331**
Adjustments to items affecting profit, but not affecting liquidity:				
- Net Increase/decrease of reserves				
premium reserves and other technical reserves - non-life	1,016		-3,348	
non-life claims reserve	124,695		118,522	
technical reserves – life	19,743	**145,454**	29,176	**144,350**
- Amortisation in the year		**20,538**		**20,854**
- Increase / decrease in provision for risks and charges				
provisions for pension and similar	-		-	
tax provisions	19,629		-24,987	
other provisions	54,384	**74,013**	3,964	**-21,023**
- Adjustments in value and exchange gains /losses of securities & investments		**428,624**		**-68,668**
Changes in deposits received from reinsurers		**-18,229**		**-28,959**
Changes of receivables/payables and various assets/liabilities				
receivables from policyholders for premiums	19,906		21,248	
receivables from insurance brokers	15,301		-10,727	
receivables from reinsurance companies	4,371		11,471	
other receivables	32,627		73,915	
other assets	-115,978	**-43,773**	25,408	**121,315**
Change in financial payables		**441**		**208**
Change in subordinated liabilities		**-**		**-10,000**
Change in Shareholders' Equity		**-**		**-**
TOTAL		**94,392**		**171,408**

LIQUIDITY COMMITMENTS

(in thousands of Euro)

		2010		2009
Investments				
Land and buildings	-49,145		26,631	
Shares and holdings in group companies	52,866		243,297	
Bonds issued by group companies	30,011		16,096	
Loans to group companies	-		12,384	
Equity investments and minority holdings	73,209		-33,068	
Investment fund units	-47,282		186,402	
Bonds and other fixed-income securities	41,722		-307,201	
Loans to third parties	-3,445		806	
Other financial investments	-44,353		-53,581	
Deposits with reinsuring companies	265	**53,848**	-429	**91,337**
Investments where risk is borne by life policyholders and pension fund management		**-48,341**		**-24,324**
Tangible assets, inventories and long-term costs		**723**		**-26**
Dividends distributed		**58,621**		**87,691**
Change in cash and cash equivalents		**29,541**		**16,730**
TOTAL		**94,392**		**171,408**

Bank accounts at close of year	209,514	176,015
Bank accounts at close of previous year	179,973	159,285
Change in cash and cash equivalents	29,541	16,730

N.B. : 2010 Cash flow statement based on pro-forma data. The liquidity at the beginning of 2010 does not equate with the end of 2009 as the former includes the liquidity of Meridiano Orizzonti and Dialogo Vita.

REMUNERATION OF DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND KEY MANAGEMENT PERSONNEL OF "MILANO ASSICURAZIONI S.P.A."

The amounts reported below refer to the year 2010

23-ENGCompensi Amministratori Bilancio-2010.xls
28/05/2011

(Amounts in Euro)

NAME	DESCRIPTION OF OFFICE			REMUNERATION				
							Other remuneration (3)	
	Office held (1)	Period of office	Expiry	Emoluments for office	Non-monetary benefits (2)	Bonuses and other incentives	Emoluments for offices held in subsidiary companies	Other
MARCHIONNI Fausto	Chairman & Chief Executive Officer	1/1-31/12/2010	a)	300,000				
	Director			10,337				
	EC			5,654				
LIGRESTI Gioacchino Paolo	Vice Chairman	1/1-31/12/2010	AGM acc. 2010	100,000				
	Director			10,337				
	EC			5,654				
RUCELLAI Cosimo	Vice Chairman	1/1-31/12/2010	AGM acc. 2010	100,000				
	Director			10,337				
	EC			5,654				
	ICC			20,000				
BOCCHINO Umberto	Director	1/1-31/12/2010	AGM acc. 2010	10,337				
	EC			5,654				
	ICC	22/9-31/12/2010		5,534				
DE MARCHI Barbara	Director	1/1-31/12/2010	AGM acc. 2010	10,337				(4)
DEZZANI Flavio	Director	1/1-31/12/2010	AGM acc. 2010	10,337				
DI MAIO Maurizio	Director	1/1-31/12/2010	AGM acc. 2010	10,337 (5)				
ERBETTA Emanuele	Director	1/1-31/12/2010	a)	- (6)	1,249			(7) 1,101,294
FREY Mariano	Director	1/1-31/12/2010	AGM acc. 2010	10,337				
	ICC			20,000				
LIGRESTI Giulia Maria	Director	1/1-18/2/2010	AGM acc. 2010	9,912				
		5/3-31/12/2010						
	EC	1/1-18/2/2010		5,422				
		5/3-31/12/2010						
LIGRESTI Jonella	Director	1/1-31/12/2010	AGM acc. 2010	10,337				
LO VECCHIO Lia	Director	1/1-31/12/2010	b)	10,337				
PERRONE DA ZARA Emilio	Director	1/1-4/6/2010		4,361				
	ICC			8,438				
PINI Massimo	Director	1/1-31/12/2010	AGM acc. 2010	10,337				
	EC			5,654				
RANDAZZO Francesco	Director	1/1-31/12/2010	AGM acc. 2010	10,337				
RUBINO Salvatore	Director	1/1-31/12/2010	AGM acc. 2010	160,337 (8)				
	EC			5,654				
TABACCI Simone	Director	1/1-31/12/2010	AGM acc. 2010	10,337				
TALARICO Alessandra	Director	1/1-31/12/2010	AGM acc. 2010	10,337			5,000	
TALARICO Antonio	Director	1/1-31/12/2010	AGM acc. 2010	10,337				
	EC			5,654				
OSSOLA Giovanni	Chair. Board of Statutory Auditors	1/1-31/12/2010	AGM acc. 2010	60,000			21,000	
RAYNERI Alessandro	Statutory Auditor	1/1-31/12/2009	AGM acc. 2010	40,000				
MOSCONI Maria Luisa	Statutory Auditor	1/1-18/2/2010	AGM acc. 2010	38,356			17,968	
		5/3-31/12/2010						
ALDE' Giuseppe	Alternate Auditor	1/1-18/2/2010	AGM acc. 2010	-			19,011	
	Statutory Auditor	18/2-5/3/2010		1,644				
	Alternate Auditor	5/3-31/12/2010		-				
FRASCINELLI Roberto	Alternate Auditor	1/1-31/12/2010	AGM acc. 2010	-				
DE RE Claudio	Alternate Auditor	1/1-31/12/2010	AGM acc. 2010	-				
KEY MANAGEMENT PERSONNEL (9)		1/1-31/12/2010			3,654			1,041,743

a) On 27/01/2011 Mr Fausto Marchionni resigned from the post of Chief Executive Officer and Director General, maintaining the office of Director. Also on 27/1/2011, Mr Emanuele Erbetta replaced Ms. Lia Lo Vecchio as a Director and was appointed Chief Executive Officie

b) as January 1, 2011, Ms. Lia Lo Vecchio resigned as a Director.

((1) The letters "EC" indicate members of the Executive Committee, the letters "I.C.C." indicate members of the Internal Control Committee.
(2) Estimated value.
(3) Indicate the office for which the amounts were paid.
4) Professional services provided to Milano Assicurazioni Spa Euro 61,975.
(5) Remuneration repaid to Banco Popolare Soc. Coop..
(6) Waiver in favbour of the Company.
(7) Remuneration for employment service.
(8) Emolument includes amount as assistent to the Chairman.
(9) Emoluments relate to key management personnel at an aggregate level.

SHAREHOLDINGS OF DIRECTORS, STATUTORY AUDITORS AND THE MANAGERS WITH STRATEGIC RESPONSIBILTIES

Name	Company	Number of shares held at the end of the previous year (2009)		Number of shares acquired		Number of shares sold		Number of shares held at the end of the current year (2010)	
		Ordinary	Savings	Ordinary	Savings	Ordinary	Savings	Ordinary	Savings
Bocchino Umberto	Milano Assicurazioni	-	-	1,000 *a)*	-	-	-	1,000 *a)*	-
Erbetta Emanuele	Milano Assicurazioni	32,500 *a)*	-	-	-	-	-	32,500 *a)*	-
Ligresti Paolo	Milano Assicurazioni	86,956**a)*	-	-	-	-	-	86,956**a)*	-
Lo Vecchio Lia	Milano Assicurazioni	1,095**a)*	-	-	-	-	-	1,095**a)*	-
Pini Massimo	Milano Assicurazioni	30,000 *a)* 15,173**a)*	-	-	-	-	-	30,000 *a)* 15,173**a)*	-
Talarico Antonio	Milano Assicurazioni	38,100 *a)*	-	-	-	-	-	38,100 *a)*	-
Mosconi Maria Luisa	Milano Assicurazioni	4,347**a)*	-	-	-	-	-	4,347**a)*	-
Rayneri Alessandro	Milano Assicurazioni	10,000 *a)* 20,000 *c)*	30,000 *c)*	50,072 *a)*	-	-	-	80,072 *a)*	30,000 a*)*
Managers with strategic responsibilities	Milano Assicurazioni	1,000 *a)*	-	-	-	-	-	1,000 *a)*	-

The other Directors and Statutory Auditors have no holdings.

* shares from the takeover by FONDIARIA-SAI S.p.A. on Immobiliare Lombarda S.p.A..

a) *shares held directly*

b) *shares held by spouses*

c) *shares held through subsidiaries*

Other Attachments

- **List of buildings**
- **List of investments in subsidiaries, associated companies and investments above 10% of the share capital**
- **Schedules of the solvency margins**
- **Schedules to cover the technical reserves**
- **Reconciliation of the theoretical tax charge and the actual tax charge**
- **Recording of deferred tax assets and liabilities and consequent effects**
- **Net Equity disclosures as per Article 2427, number 7 bis of the Civil Code**
- **Information from the latest financial statements of the company that exercises direction and control of the company**

MILANO ASSICURAZIONI SPA

LIST OF PROPERTY OWNED

DESCRIPTION OF PROPERTY		PURCHASE COST	REVALUATIONS				DEPREC (at 31.12.2009)	BALANCE AT 31.12.2009 (NET)	GROSS VALUE ACCOUNTS AT 31.12.2009
			MONETARY	ECONOMIC	AS PER LAW 413/91	TOTAL			
ALESSANDRIA VIA TROTTI, 46		168,572						168,572	168,572
ARZACHENA - LISCIA DI VACCA		47,465						47,465	47,465
ALESSANDRIA - VIA FAA DI BRUNO 49		91,842						91,842	91,842
ANCONA - VIA MARSALA 21		28,927		8,362	6,366	14,728	(2,797)	40,858	43,655
AREZZO - VIA XXV APRILE 18-34/E		229,720						229,720	229,720
ASSAGO MILANO FIORI		34,369,426						34,369,426	34,369,426
BARI - VIA ABATE GIMMA 171		10,623	12,958		64,895	77,852	(192)	88,284	88,476
BASIGLIO - MILANO 3		15,494						15,494	15,494
BELLUNO - VIA FELTRE, 244		57,420						57,420	57,420
BRESCIA - VIA XX SETTEMBRE, 32		948,215						948,215	948,215
BERGAMO - VIA MAJ 14D		302,902					(22,718)	280,184	302,902
BIELLA - VIA NAZARIO SAURO 8		4,679	1,872	1,083	44,551	47,505	(419)	51,765	52,184
BOARIO TERME (BS) V.le DELLA REPUBBLICA 27		19,254	13,477	25,162	20,167	58,806	(4,342)	73,718	78,060
BOLOGNA VIA BASSI		49,883,474						49,883,474	49,883,474
BOLZANO - VIA PERATHONER 5		17,308	17,767		78,478	96,245	(294)	113,259	113,553
BORGOMANERO (NO) - PZA XX SETTEMBRE 8		150,230						150,230	150,230
BRESCIA - VIA MARIO 40		10,117	7,082	26,035	27,472	60,589	(3,243)	67,463	70,706
BRESCIA - VIA FOPPA 6 (1'CORPO)		301,790	23,048		38,047	61,096	(271)	362,615	362,886
BRESCIA VIA SOLFERINO, 11 1^ P		382,556					(80,912)	301,644	382,556
BUSTO A. - P.ZA GARIBALDI, 1		168,572						168,572	168,572
CAGLIARI - P.ZZA SALENTO 9/10		336,784					(13,492)	323,292	336,784
CAGLIARI - VLE BONARIA 90		100,065			9,386	9,386		109,451	109,451
CAGLIARI - VIA BACAREDDA, 184		192,277						192,277	192,277
CARRARA (MS) - VIA DON MINZONI 10		11,205	9,180		13,133	22,313	(136)	33,382	33,518
CASCINA (PI) - VIA TOSCO ROMAGNOLA 248/E		99,160						99,160	99,160
CATANZARO - VIA DE GASPERI 62		82,870						82,870	82,870
CESENA (FO) - VICOLO CESUOLA 14		117,150						117,150	117,150
CIVITANOVA MARCHE (MC)- Via S.di SANTAROSA 15		5,363	3,724	8,178	21,339	33,241	(1,334)	37,270	38,604
COLLEGNO (TO) - VLE GRAMSCI 24		48,717			7,494	7,494		56,211	56,211
COMO - VLE INNOCENZO XI 13		39,751	40,483		91,744	132,226		171,978	171,978
CONEGLIANO (TV) - VIA CALVI 106		43,090			13,227	13,227		56,318	56,318
COSENZA - VIA MACALLE' 2		144,920		2,769	24,636	27,406		172,326	172,326
CREMA - VIA MATTEOTTI 43		165,408						165,408	165,408
CREMONA - PIAZZA S. ANTONIO ZACCARIA 5		723,385	16,387	5,547	96,321	118,255	(2,065)	839,575	841,640
CREMONA - VIA INGEGNERI 5		29,894	24,142		29,877	54,018	(157)	83,755	83,912
CUNEO - P.ZA BOVES, 2		542,228						542,228	542,228
DESIO - VIA MONSIGNOR CATTANEO 8		7,494	2,295	1,310	39,807	43,413	(246)	50,660	50,907
EMPOLI - VIA VILLANI 4		102,107			6,877	6,877		108,985	108,985
ESTE (PD) - VIA PRINCIPE UMBERTO 68		109,147						109,147	109,147
FERMO (AP) - VIALE XX GIUGNO 20-22		22,158	15,510	12,445	62,117	90,071	(3,758)	108,471	112,229
FERRARA - VIA PREVIATI 11 ter		8,169	5,803	18,960	26,807	51,570	(8,217)	51,522	59,739
FERRARA - VIA CAVOUR 150		106,276	61,988			61,988		168,263	168,263
FIRENZE - PZA BECCARIA 3		382,451	66,715		262,484	329,198		711,649	711,649
FIRENZE - VIA BELFIORE 42		74,840			2,575	2,575		77,415	77,415
FIRENZE - VIA VOLTA 102/104		620,828					(119,294)	501,534	620,828
FIRENZE - VIA S. AMMIRATO, 39 imp.		357,881					(151,647)	206,234	357,881
FIRENZE VIA CAVOUR, 112 1p		496,714					(1,855)	494,859	496,714
GAZZANIGA (BG)- VIA MAZZINI 12		33,208		1,049	32,491	33,541	(304)	66,444	66,749
GENOVA - VIA B.BOSCO 15/31		2,038,875						2,038,875	2,038,875
GENOVA - VIA ROCCATAGLIATA CECCARDI 1/2		549,373	15,034		140,067	155,101	(67,870)	636,604	704,474
GENOVA VIA CECCARDI 1/10 3^ p		747,840					(229,961)	517,879	747,840
GENOVA VIA CECCARDI 1/19 6^ p imp.		842,990					(232,755)	610,235	842,990
GENOVA VIA XX SETTEMBRE 19		384,554					(2,884)	381,670	384,554
GROSSETO - VIA MATTEOTTI 2		132,290						132,290	132,290
INTRA (NO) - PZZA DON MINZONI 36		104,085	7,780		11,263	19,043	(114)	123,014	123,128
LA SPEZIA - VLE ITALIA 162		233,845						233,845	233,845
LATINA - VIA DUCA DEL MARE 67		13,902	8,047		4,454	12,501	(1,646)	24,757	26,403
LECCE - PIAZZA ORONZO 4		29,173	35,497	24,692	32,684	92,873	(7,070)	114,976	122,046
LECCE - PZA MAZZINI 64		328,406			17,713	17,713		346,119	346,119
LEGNANO - CSO ITALIA 54		57,148	33,542		47,669	81,212		138,360	138,360
LEGNANO - CSO SEMPIONE 119		37,594			17,985	17,985		55,579	55,579
LIVORNO - VIA MAYER 1		46,713	1,284	1,175	48,825	51,284	(2,297)	95,701	97,997
LUCCA - PZA DEL GIGLIO 4		69,711	4,790		9,411	14,200		83,911	83,911
MANTOVA - VIA MARANGONI 1		10,996	12,528		55,698	68,226	(186)	79,036	79,222
MANTOVA VIA G. MAZZINI 16		273,122					(3,347)	269,775	273,122
MERANO - VIA MAINARDO 52		103,804			7,341	7,341		111,145	111,145
MESTRE - VIA MESTRINA 6		1,635	20,754		47,645	68,399		70,034	70,034
MILANO - PIAZZA CANEVA 4		107,857	5,527	61,734	40,933	108,194	(857)	215,194	216,051
MILANO - VIA BOCCACCIO 32		20,989	19,563		87,777	107,340	(284)	128,045	128,329
MILANO - VIA CASATI 39		1,208,928	71,435		531,481	602,917	(1,110)	1,810,734	1,811,844
MILANO - VIA CONSERVATORIO 15		16,806,842						16,806,842	16,806,842
MILANO - VIA CONSERVATORIO 17		12,268,306						12,268,306	12,268,306
MILANO - VIA CORDUSIO 2		52,570,524						52,570,524	52,570,524
MILANO - V.LE LANCETTI VIA DELL'APRICA		78,565,359					(2,878,794)	75,686,564	78,565,359
MILANO - VIA PANTANO 26 VIA DI P.ROMANA 19		45,619,597						45,619,597	45,619,597
MILANO - VIA PONTACCIO 15		8,638,291						8,638,291	8,638,291
MILANO - V.LE UMBRIA,76		12,217,005						12,217,005	12,217,005
MILANO - VIA FRUA/P.ZA DE ANGELI imp.		2,276,802					(972,380)	1,304,422	2,276,802
MILANO - VIA RASORI 2 imp.		4,425					(1,892)	2,533	4,425
MILANO - TONALE 22 4p		217,411						217,411	217,411
MILANO - TONALE 22 3p		299,830					(636)	299,194	299,830
MILANO - VIA FRUA 26/TRIVULZIO 3		542,156					(4,030)	538,126	542,156
MILANO VIA LENTASIO, 1		526,786						526,786	526,786
MILANO GALL. DEL CORSO, 4		2,316,448						2,316,448	2,316,448
MILANO VIA CASTELLANZA		460,572						460,572	460,572
MILANO - VIA CORRIDONI 1		370,660						370,660	370,660
MILANO VIA CALDERA		67,224,934						67,224,934	67,224,934
MILANO VIA CRESPI		57,492,398						57,492,398	57,492,398
MILANO S.M. BELTRADE 1	*								
MODENA - VIALE MEDAGLIE D'ORO 1		18,099	12,669	19,602	45,803	78,074	(3,778)	92,396	96,173
MODENA - VIA GIARDINI 10/1		63,242	50,009		30,474	80,483	(622)	143,103	143,724
MODENA - VIA RAINUSSO 130		321,339					(16,575)	304,764	321,339
MONZA - VIA PASSERINI 6		39,625	24,424		94,629	119,053	(372)	158,306	158,678
MONZA - VIA CAMPERIO 8 imp.		342,411					(146,381)	196,030	342,411
MORTARA - CORSO GARIBALDI 28		9,436	3,678	775	25,665	30,118	(472)	39,083	39,554
NAPOLI - VIA MONTE OLIVETO 79		5,255	2,890		86,275	89,165	(51)	94,369	94,420
NOVARA - VIA ROSSELLI 28		253,682						253,682	253,682

year 2010			WRITE-DOWNS	DEPREC (at 31.12.2010)	BALANCE AT 31.12.2010 (NET)	GROSS VALUE ACCOUNTS AT 31.12.2010 (GROSS)	OF WHICH REVALUATIONS			WRITE-DOWNS	CURRENT VALUE
PURCHASES	DISPOSALS	DEPRECIATION					MONETARY	ECONOMIC	AS PER LAW 413/91		
					168,572	168,572					169,290
					47,465	47,465					
					91,842	91,842					163,000
				(2,797)	40,858	43,655		8,362	6,366		138,000
					229,720	229,720				40,341	322,000
					34,369,426	34,369,426					36,600,000
				(192)	88,284	88,476	12,958		64,895		253,000
					15,494	15,494					25,000
					57,420	57,420					133,950
					948,215	948,215					1,216,660
				(22,718)	280,184	302,902					419,000
				(419)	51,765	52,184	1,872	1,083	44,551		148,000
				(4,342)	73,718	78,060	13,477	25,162	20,167		186,000
					49,883,474	49,883,474					47,120,000
				(294)	113,259	113,553	17,767		78,478	22,408	214,000
11,800	(162,030)										
				(3,243)	67,463	70,706	7,082	26,035	27,472		244,000
				(271)	362,615	362,886	23,048		38,047		649,000
				(80,912)	301,644	382,556					570,450
					168,572	168,572					190,000
				(13,492)	323,292	336,784				106,119	438,000
					109,451	109,451			9,386		192,000
					192,277	192,277					281,430
				(136)	33,382	33,518	9,180		13,133		93,000
					99,160	99,160				24,818	135,000
					82,870	82,870					115,000
					117,150	117,150					148,000
				(1,334)	37,270	38,604	3,724	8,178	21,339		107,000
					56,211	56,211			7,494		111,000
					171,978	171,978	40,483		91,744		473,000
					56,318	56,318			13,227		102,000
					172,326	172,326		2,769	24,636		251,000
					165,408	165,408					182,000
				(2,065)	839,575	841,640	16,387	5,547	96,321		2,440,000
				(157)	83,755	83,912	24,142		29,877		270,000
					542,228	542,228					355,100
				(246)	50,660	50,907	2,295	1,310	39,807		141,000
					108,985	108,985			6,877		176,000
					109,147	109,147					162,000
				(3,758)	108,471	112,229	15,510	12,445	62,117		195,000
				(8,217)	51,522	59,739	5,803	18,960	26,807	6,083	192,000
					168,263	168,263	61,988				353,000
					711,649	711,649	66,715		262,484		2,140,000
					77,415	77,415			2,575		218,000
				(119,294)	501,534	620,828					944,000
24,960	(231,194)										
				(1,855)	494,859	496,714					846,000
8,600	(75,044)										
					2,038,875	2,038,875					2,440,000
				(67,870)	636,604	704,474	15,034		140,067		1,470,000
				(229,961)	517,879	747,840					844,940
		(25,290)		(258,045)	584,945	842,990					1,038,450
				(2,884)	381,670	384,554					439,740
					132,290	132,290					226,000
				(114)	123,014	123,128	7,780		11,263		331,000
					233,845	233,845					288,000
				(1,646)	24,757	26,403	8,047		4,454		104,000
				(7,070)	114,976	122,046	35,497	24,692	32,684		255,000
					346,119	346,119			17,713	16,053	393,000
					138,360	138,360	33,542		47,669		360,000
					55,579	55,579			17,985		175,000
				(2,297)	95,701	97,997	1,284	1,175	48,825		309,000
					83,911	83,911	4,790		9,411		194,000
				(186)	79,036	79,222	12,528		55,698		319,000
				(3,347)	269,775	273,122					311,000
					111,145	111,145			7,341		151,000
					70,034	70,034	20,754		47,645		191,000
				(857)	215,194	216,051	5,527	61,734	40,933		586,000
				(284)	128,045	128,329	19,563		87,777		807,000
(4,301)				(1,110)	1,806,434	1,807,543	71,435		531,481		5,400,000
(1,491)					16,805,350	16,805,350					26,800,000
					12,268,306	12,268,306					19,000,000
2,578,084	(55,148,608)										
1,139,762	(3,640,000)			(2,878,794)	73,186,327	76,065,121				3,695,207	76,500,000
263,772					45,883,369	45,883,369					60,200,000
23,916					8,662,207	8,662,207				229,682	14,300,000
					12,217,005	12,217,005					12,280,000
		(68,304)		(1,040,684)	1,236,118	2,276,802					2,393,600
		(133)		(2,024)	2,401	4,425					14,300
					217,411	217,411					327,940
				(636)	299,194	299,830					452,260
				(4,030)	538,126	542,156					591,500
					526,786	526,786					705,000
172,952	(2,489,400)										
					460,572	460,572					400,670
3,000	(27,730)				345,931	345,931					455,000
			(9,524,934.00)		57,700,000	57,700,000				9,524,934	57,700,000
					57,492,398	57,492,398					55,980,000
55,622,382					55,622,382	55,622,382					68,250,000
				(3,778)	92,396	96,173	12,669	19,602	45,803		306,000
				(622)	143,103	143,724	50,009		30,474		357,000
				(16,575)	304,764	321,339					397,370
				(372)	158,306	158,678	24,424		94,629		468,000
		(10,272)		(156,653)	185,758	342,411					408,900
				(472)	39,083	39,554	3,678	775	25,665		137,000
				(51)	94,369	94,420	2,890		86,275		429,000
					253,682	253,682					324,000

MILANO ASSICURAZIONI SPA

LIST OF PROPERTY OWNED

DESCRIPTION OF PROPERTY	PURCHASE COST	REVALUATIONS				DEPREC (at 31.12.2009)	BALANCE AT 31.12.2009 (NET)	GROSS VALUE ACCOUNTS AT 31.12.2009
		MONETARY	ECONOMIC	AS PER LAW 413/91	TOTAL			
NOVARA - VIA BALL. LAMARMORA, 19 imp.	120,871					(51,514)	69,357	120,871
NOVARA - VIA BALL. LAMARMORA, 19	184,664						184,664	184,664
NOVI LIGURE - VIA ABBA 2	106,262						106,262	106,262
OSTIGLIA - VIA XX SETTEMBRE 63-65	486,403						486,403	486,403
PADOVA - VIA MAR. DA PADOVA 2	143,443	111,599		66,324	177,922		321,365	321,365
PALERMO - PIAZZA CASTELNUOVO 26	16,548	11,584	20,637	24,128	56,348	(3,658)	69,239	72,896
PALERMO VIA RICASOLI, 59	273,929						273,929	273,929
PARMA - VIA GOLDONI 1	178,596	11,743	6,908	250,051	268,702	(3,802)	443,496	447,298
PAVIA - VIA MATTEOTTI 11	263,522						263,522	263,522
PERUGIA - VIA CORTONESE-VIA BRIGANTI 93	109,715	11,043		30,108	41,151		150,866	150,866
PESARO - VIA ARDIZZI 14	76,436						76,436	76,436
PIACENZA - P.ZZA CAVALLI 7	103,033						103,033	103,033
PIACENZA - VIA CAVOUR GALL. S.MARIA 6	208,749	18,743		23,875	42,617	(225)	251,142	251,367
PIOMBINO (LI) - CSO ITALIA 92	15,590	3,110		26,117	29,227	(57)	44,761	44,817
PISTOIA VIA S. ANDREA, 49 imp.	145,796					(65,817)	79,979	145,796
PISTOIA VIA S. ANDREA, 49	523,222						523,222	523,222
POGGIBONSI (SI) - VIA TRENTO 9	66,636			7,309	7,309		73,946	73,946
PONTASSIEVE - VIA MONTANELLI 43	45,533						45,533	45,533
PONTASSIEVE (FI) - VIA ROMA 10	65,562			8,203	8,203		73,764	73,764
PONTE S.PIETRO (BG) - VIA V.EMANUELE II, 2	83,425						83,425	83,425
PONTEDERA (PI) - VIA SAFFI 4	14,934	14,206		43,005	57,210	(210)	71,935	72,145
RAVENNA - VIA CESAREA 11	129,063						129,063	129,063
RAVENNA - VIA MAMELI, 5	206,583						206,583	206,583
ROMA - VIA GREGORIO VII 44	74,044			37,961	37,961	(2,221)	109,784	112,005
ROMA - VIA CASTELLINI ,13	1,965,010					(89,415)	1,875,595	1,965,010
ROMA - VIA PIO FOA' 12	53,405						53,405	53,405
ROMA - VIA SILVANI 46	619		2,542	27	2,569		3,187	3,187
ROMA - VIA SISTINA, 91	185,266	36,539		261,679	298,218	(164)	483,320	483,484
ROMA- VIA TRE MADONNE,16/18	60,386,395						60,386,395	60,386,395
ROMA VIA CRISPI 10	1,221,090					(9,158)	1,211,932	1,221,090
ROMA VIA IN ARCIONE	18,387,898						18,387,898	18,387,898
ROVERETO VIA PAOLI, 25	162,250						162,250	162,250
ROZZANO - PALAZZO V STRADA 5 imp	1,068,800					(424,239)	644,560	1,068,800
S.G. PERSICETO (BO) - CORSO ITALIA 1	4,376	3,063	11,118	7,415	21,596	(1,392)	24,580	25,972
S.LAZZARO DI SAVENA (BO) - VIA JUSSI 8	88,008	10,270		3,906	14,176		102,184	102,184
SARONNO (VA) - PZA DE GASPERI 15	29,187	19,242		6,219	25,461		54,648	54,648
SEREGNO - P.LE MED. D'ORO MARIANI, 4	94,822						94,822	94,822
SCHIO (VI) - VIA ROMPATO 19	24,301	15,324		25,995	41,319		65,620	65,620
SIENA - VIA DELLE TERME 37	338,142						338,142	338,142
SIRACUSA - VIA S. SEBASTIANO 34	134,330						134,330	134,330
SONDRIO - CSO XXV APRILE 5	42,351	7,112		34,023	41,135	(108)	83,378	83,486
TERNI - CORSO TACITO 101	4,265	1,153	803	28,766	30,721	(306)	34,679	34,986
TORINO - VIA MAZZINI 12	20,638	21,558	54,418	103,387	179,363	(8,008)	191,993	200,001
TORINO - CORSO RE UMBERTO 131	1,950,881						1,950,881	1,950,881
TORINO - CORSO TRAPANI 7/D	2,744,121						2,744,121	2,744,121
TORINO - STRADA DEL DROSSO 29	9,307,163						9,307,163	9,307,163
TORINO VIA GUARINI, 4	674,286						674,286	674,286
TRECASTAGNI (CT) - C.SO ITALIA 2	76,384						76,384	76,384
TRENTO - PASS. ZIPPEL 6	192,277						192,277	192,277
TREVIGLIO (BG) - PZA INSURREZIONE 5	74,990						74,990	74,990
TREVISO - VICOLO BIANCHETTI 1	86,675	8,528			8,528		95,203	95,203
TRIESTE - VIA MARTIRI DELLA LIBERTA' 13 magazzino	131,744					(47,340)	84,404	131,744
TRIESTE - VIA LAZZARETTO VECCHIO 11 imp.	8,429,866			1,385,648	1,385,648	(4,914,258)	4,901,256	9,815,514
TRIESTE - VIA LAZZARETTO VECCHIO 9 imp.	251,251					(111,261)	139,989	251,251
TRIESTE - VIA MARTIRI DELLA LIBERTA' 13	193,851					(24,446)	169,405	193,851
TRIESTE - VIA MAZZINI 27	885,839						885,839	885,839
VALDAGNO (VI) - VIA C.COLOMBO 8	67,555			4,329	4,329		71,884	71,884
VARESE - VIA CARCANO 2	76,363	32,620	30,868	44,823	108,311	(11,134)	173,539	184,673
VARESE - VIA BERNASCONE 16	5,375	2,150	1,766	39,805	43,722	(551)	48,546	49,097
VARESE - VIA PIAVE 3	108,456						108,456	108,456
VENEZIA MESTRE - VIA CARDUCCI, 38	184,375						184,375	184,375
VERCELLI - C.SO GARIBALDI 44	8,274	5,792	13,417	24,410	43,618	(2,061)	49,831	51,892
VERCELLI - VIA DUCHESSA JOLANDA 6	3,205	1,272	540	31,638	33,450	(271)	36,384	36,655
VERCELLI - VIA XX SETTEMBRE 2	186,857						186,857	186,857
VERONA - VIA LOCATELLI 20	11,967	8,376	22,780	64,894	96,050	(3,234)	104,783	108,017
VERONA - CSO CAVOUR 9	571,000						571,000	571,000
VERONA - P.TA NUOVA, 60	486,750					(128,773)	357,977	486,750
VIGEVANO (PV) - CSO GARIBALDI 9	9,247	10,795		23,192	33,986	(108)	43,126	43,234
VITERBO - VIA DELLA SAPIENZA 3	1,614	645	959	24,669	26,274	(223)	27,664	27,887
TOTAL PROPERTY	**573,601,466**	**1,018,348**	**385,634**	**5,035,988**	**6,439,970**	**(10,898,013)**	**569,143,425**	**580,041,438**
LAND								
CAROVIGNO - land	7,349						7,349	7,349
CORTINA D'AMPEZZO(BL) - land	2,324						2,324	2,324
ROMA - TOR DI QUINTO -land	115,240		305,518		305,518		420,758	420,758
VIETRI SUL MARE - land	516						516	516
VIZZINI TENUTA MAGULI - agricultural land	6,157		1,585		1,585		7,742	7,742
							-	-
TOTAL LAND	**131,587**	**0**	**307,103**	**0**	**307,103**	**0**	**438,689**	**438,689**
FIXED ASSETS IN PROGRESS AND ADVANCES								
ROMA-Via F.Fiorentini Avv.ti e Svil. Alb.							103,505,667	103,505,667
MILANO-Via de Castillia acquisto cosa futura							42,092,551	42,092,551
TOTAL FIXED ASSETS IN PROGRESS AND ADVANCES	**0**	**0**	**0**	**0**	**0**	**0**	**145,598,218**	**145,598,218**
TOTAL	**573,733,053**	**1,018,348**	**692,736**	**5,035,988**	**6,747,073**	**(10,898,013)**	**715,180,332**	**726,078,345**

(*) Building acquired following incorporation of the subsidiary Meridiano Orizzonti

year 2010							OF WHICH REVALUATIONS				
PURCHASES	DISPOSALS	DEPRECIATION	WRITE-DOWNS	DEPREC (at 31.12.2010)	BALANCE AT 31.12.2010 (NET)	GROSS VALUE ACCOUNTS AT 31.12.2010 (GROSS)	MONETARY	ECONOMIC	AS PER LAW 413/91	WRITE-DOWNS	CURRENT VALUE
		(3,626)		(55,141)	65,731	120,871					104,123
					184,664	184,664					159,077
					106,262	106,262					118,800
					486,403	486,403					494,000
					321,365	321,365	111,599		66,324	52,746	550,000
				(3,658)	69,239	72,896	11,584	20,637	24,128		204,000
					273,929	273,929					440,960
	(186,269)			(2,205)	257,228	259,433	6,811	4,007	145,030		595,000
					263,522	263,522				10,808	310,000
					150,866	150,866	11,043		30,108		395,000
					76,436	76,436					155,000
					103,033	103,033				41,575	176,000
				(225)	251,142	251,367	18,743		23,875		490,000
				(57)	44,761	44,817	3,110		26,117		92,000
		(4,374)		(70,191)	75,605	145,796					231,452
					523,222	523,222					830,618
					73,946	73,946			7,309		166,000
					45,533	45,533					63,000
					73,764	73,764			8,203		123,000
					83,425	83,425					128,000
				(210)	71,935	72,145	14,206		43,005		172,000
					129,063	129,063				7,779	236,000
					206,583	206,583					207,180
				(2,221)	109,784	112,005			37,961		224,000
	(479,778)			(66,543)	1,395,817	1,462,360				554,319	2,360,000
					53,405	53,405					217,000
					3,187	3,187		2,542	27		20,900
				(164)	483,320	483,484	36,539		261,679		2,140,000
2,905,931					63,292,327	63,292,327					69,620,000
				(9,158)	1,211,932	1,221,090					1,820,930
					18,387,898	18,387,898					17,630,000
					162,250	162,250					270,030
		(32,064)		(456,303)	612,496	1,068,800					1,520,000
				(1,392)	24,580	25,972	3,063	11,118	7,415		92,000
					102,184	102,184	10,270		3,906		192,000
					54,648	54,648	19,242		6,219		309,000
					94,822	94,822					128,000
12,174					77,794	77,794	15,324		25,995		227,000
					338,142	338,142				119,431	552,000
					134,330	134,330					227,240
				(108)	83,378	83,486	7,112		34,023		259,000
				(306)	34,679	34,986	1,153	803	28,766		125,000
				(8,008)	191,993	200,001	21,558	54,418	103,387		478,000
33,033					1,983,914	1,983,914				1,407,345	3,600,000
					2,744,121	2,744,121					2,850,000
					9,307,163	9,307,163					7,945,320
					674,286	674,286					741,290
					76,384	76,384					76,470
					192,277	192,277					234,000
					74,990	74,990				17,940	122,000
					95,203	95,203	8,528				282,000
		(3,952.32)		(51,293)	80,451	131,744					301,684
	(4,901,256)										
	(139,989)										
				(24,446)	169,405	193,851					443,906
					885,839	885,839					1,279,200
					71,884	71,884			4,329		145,000
				(11,134)	173,539	184,673	32,620	30,868	44,823		396,000
29,200	(77,746)										
					108,456	108,456					162,000
					184,375	184,375					305,520
				(2,061)	49,831	51,892	5,792	13,417	24,410		164,000
				(271)	36,384	36,655	1,272	540	31,638		146,000
					186,857	186,857					348,000
				(3,234)	104,783	108,017	8,376	22,780	64,894		221,000
					571,000	571,000					1,100,000
				(128,773)	357,977	486,750					818,850
				(108)	43,126	43,234	10,795		23,192		133,000
22,800	(50,464)										
62,846,572	**(67,609,509)**	**(148,015)**	**(9,524,934)**	**(5,843,314)**	**554,707,538**	**560,550,853**	**1,010,621**	**378,957**	**3,448,352**	**15,877,588**	**642,301,100**
					7,349	7,349					4,900
					2,324	2,324					113,000
					420,758	420,758		305,518			1,233,000
					516	516					1,100
					7,742	7,742		1,585			19,700
					-	-					
0	**0**	**0**	**0**	**0**	**438,689**	**438,689**	**0**	**307,103**	**0**	**0**	**1,371,700**
					103,505,667	103,505,667					103,505,667
11,240,020					53,332,571	53,332,571					53,332,571
11,240,020	**0**	**0**	**0**	**0**	**156,838,238**	**156,838,238**	**0**	**0**	**0**	**0**	**156,838,238**
74,086,592	**(67,609,509)**	**(148,015)**	**(9,524,934)**	**(5,843,314)**	**711,984,465**	**717,827,779**	**1,010,621**	**686,060**	**3,448,352**	**15,877,588**	**800,511,038**

List of direct and indirect holdings in non-listed companies of above 10% of the share capital at 31/12/10

(In accordance with article 125-126 of CONSOB Resolution 11971 of May 14, 1999)

Name and registered office		Voting shares held	Quota held			
			Direct %	Indirect %	Through subsidiary companies	Total %
ATAHOTELS S.p.A.	MILAN	8,496,000	49.00			49.00
A7 S.r.l	MILAN	40,000		20.00	IMMOBILIARE MILANO ASS	20.00
BORSETTO S.r.l.	TURIN	1,335,149		44.93	IMMOBILIARE MILANO ASS	44.93
CAMPO CARLO MAGNO S.p.A.	TRENTO	18,622,400	100.00			100.00
CITYLIFE S.r.l.	MILAN	39,997		27.20	IMMOBILIARE MILANO ASS	26.66
COMP. TIRRENA DI ASS.NI (in liquid.)	MILAN	3,900,000	11.14			11.14
DIALOGO ASSICURAZIONI S.p.A.	MILAN	8,818,363	99.85			99.85
GARIBALDI S.C.A	Luxembourg	9,920	32.00			32.00
GLOBAL CARD SERVICE S.r.l	TURIN	43,472		44.00	LIGURIA ASSICURAZIONI	95.00
		50,388		51.00	LIGURIA VITA	
GRUPPO FONDIARIA-SAI SERVIZI S. c.r.l.	MILAN	3,421,000	34.21			34.61
		2,000		0.02	LIGURIA ASSICURAZIONI	
		18,000		0.18	SYSTEMA COMPAGNIA ASS	
		20,000		0.20	DIALOGO ASSICURAZIONI	
ISOLA S.C.A	Luxembourg	9,164	29.56			29.56
IMMOBILIARE LOMBARDA S.p.A.	MILAN	51,620,836	35.83			35.83
IMMOBILIARE MILANO ASSICURAZIONI S.r.l	MILAN	20,000	100.00			100.00
LIGURIA ASSICURAZIONI S.p.A.	SEGRATE	36,788,443	99.97			99.97
LIGURIA VITA S.p.A.	MILAN	1,200,000		100.00	LIGURIA ASSICURAZIONI	100.00
METROPOLIS S.p.A	FLORENCE	332,976		29.73	IMMOBILIARE MILANO ASS	29.73
PENTA DOMUS S.r.l	TURIN	24,000		20.00	IMMOBILIARE MILANO ASS	20.00
PRONTO ASSISTANCE SERVIZI	TURIN	144,480	28.00			54.55
		1,806		0.35	SYSTEMA COMPAGNIA	
		123,840		24.00	DIALOGO ASSICURAZIONI	
		11,352		2.20	LIGURIA ASSICURAZIONI	
SAI INVESTIMENTI S.G.R. S.p.A.	TURIN	1,134,940	29.00			29.00
SAINETWORK	TURIN	1,440,000	18.00			18.00
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	FLORENCE	60,000	30.00			50.00
SERVIZI IMMOBILIARI MARTINELLI S.p.A.	CINISELLO BALSAMO	200		20.00	IMMOBILIARE MILANO ASS	20.00
SINTESI SECONDA S.r.l	MILAN	1		100.00	IMMOBILIARE MILANO ASS	100.00
SISTEMI SANITARI (EX SERV SALUTE MALATTIA)	MILAN	196,299	19.63			20.29
		171		0.02	DIALOGO ASSICURAZIONI	
		2,170		0.22	LIGURIA ASSICURAZIONI	
				0.41	PRONTO ASSISTANCE SERVIZI	
		118		0.01	SYSTEMA COMPAGNIA ASS	
SOGEINT S.r.l	MILAN	1	100.00			100.00
SVILUPPO CENTRO EST S.r.l	ROME	4,000		40.00	IMMOBILIARE MILANO ASS	40.00
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	MILAN	10,000	100.00			100.00
UFFICIO CENTRALE ITALIANO S.r.l	MILAN	109,752	10.98			11.29
		3,100		0.31	LIGURIA ASSICURAZIONI	
VALORE IMMOBILIARE S.r.l.	MILAN	5,000	50.00			50.00

Company **MILANO ASSICURAZIONI SPA**

Financial year 2010

SCHEDULE OF THE SOLVENCY MARGIN
OF THE COMPANIES THAT JOINTLY UNDERTAKE
LIFE AND NON-LIFE INSURANCE
(article 29 of the Regulation)

(in Euro thousands)

Reference accounts of the models of the solvency margins Life classes and non-life classes		Insurance life	Insurance non-life	Total
Amount of the solvency margin requested: life division (168); non-life division (104)	(a)	1 159,064	11 539,626	21 698,690
Constituting elements of the solvency margin available total elements A): life division (97); non-life division (76)	(b)	2 427,185	12 895,062	22 1,322,247
total elements B): life division (102); non-life division (79)	(c)	3	13	23
Total constituting elements of the solvency margin available	(b + c)	4 427,185	14 895,062	24 1,322,247
Excess/insufficiency of the constituting elements of the solvency margin available compared to the amount of the solvency margin to be created	d = [(b+c) - a]	5 268,121	15 355,436	25 623,557
Utilisation as per art. 348, para. 3, of the Insurance Code of the explicit elements of the solvency margin still available as per art. 44, para. 2, let. a), b), c) of the Insurance Code	(e)	6	16	26
	f = (d + e)	7 268,121	17 355,436	27 623,557

N.B. **(e) always ≤ (d)**
(e) always ≤ (b)

Company MILANO ASSICURAZIONI SPA

SCHEDULE SHOWING THE SOLVENCY MARGIN
(Article 28, paragraph 1 of the Regulation)

Year 2010

(in thousands of Euro)

Classes for which solvency margin has been calculated

I.	-	Human life-span insurance	X
II.	-	Marriage and birth insurance	
III.	-	Insurance as per points I and II linked to investment funds.....	X
IV.	-	Permanent health insurance as per art. 1, no. 1, letter d), of EEC directive 79/267 of March 5, 1979	X
V.	-	Securitisation operations as per art. 2, para. 1, point V of the Insurance Code…….	X
VI.	-	Management of collective pension funds created for payments of benefits in the cases of death, survival, or total or partial work disability	X
Complementary insurance (personal injury)…….....			X

I - BASIS OF CALCULATION OF THE SOLVENCY MARGIN REQUESTED FOR YEAR N TAKEN FROM THE FINANCIAL STATEMENTS

Balance sheet accounts - life business

(1)	Amounts due from shareholders for unpaid subscribed capital	(= item 1)	
(2)	Acquisition commissions to be amortised	(= item 3)	1,005
(3)	Other intangible assets	(refers to items 6, 7, 8 and 9)	4,992
(4)	Shares or quotas in holding companies	(= item 17)	16,218
(5)	Treasury shares and quotas	(= item 91)	1
(6)	Subscribed share capital or equivalent fund	(= item 101)	31,107
(7)	Share premium reserve	(= item 102)	187,502
(8)	Revaluation reserve	(included in item 103)	208
(9)	Legal reserve	(= item 104)	14,224
(10)	Statutory reserves	(= item 105)	
(11)	Reserve for treasury shares and holding companies	(= item 106)	16,219
(12)	Other reserves: (1)		222,376
(13)	Losses carried forward	(= item 108 (*))	
(14)	Loss for year	(= item 109 (*))	62,235
(15)	Retained earnings	(= item 108)	
(16)	Profit for year	(= item 109)	
(17)	Cumulative preference shares: (2)		
(18)	Sub-ordinated liabilities: (3)	(included in item 111)	40,000
(19)	Profit realised in FY N: (4)	In the case of use for the solvency margin as per article 23, letter a) of the Regulation	
(20)	Profit realised in FY N - 1: (4)		
(21)	Profit realised in FY N - 2: (4)		
(22)	Profit realised in FY N - 3: (4)		
(23)	Profit realised in FY N - 4: (4)		
(24)	Estimated annual profit: (5)		
(25)	Average residual duration of the contracts at the end of FY N		
(26)	Actuarial reserves for pure premiums	In case of use for the solvency margin as per article 23, letter b) of the Regulation	
(27)	Actuarial reserves for pure premiums relative to risks ceded		
(28)	Actuarial reserve for pure premiums increased by amortisation of the acquisition expenses contained in gross premiums		
(29)	Actuarial reserve as per point (28) relating to outward reinsurance		
(30)	Sum of differences between "Life" capital and actuarial reserves for all policies for which payment of premiums is continuing	In case of use for the solvency margin as per article 23, letter c) of the Regulation	
(31)	Unrealised gains resulting from valuations of all investments of the company, where they are not of an exceptional nature		
(32)	Losses resulting from valuations of all investments of the company		
(33)	Expected commitments to policyholders (6)		

GENERAL NOTICE: none of the items concerning outward reinsurance include amounts payable by CONSAP for legal cessions

(1) Insert the other reserves as per item 107 excluding, for the first three years, the fund created for the expenses detailing them below:

Extraordinary reserve	192,203
Other reserves	30,173

(2) Insert cumulative preference shares, as per art. 44, paragraph 3, letter a) and b) of the Insurance Code, indicating:

cumulative preference shares as per art. 44, paragraph 3, letter a)

cumulative preference shares as per art. 44, paragraph 3, letter b)

(3) Insert the subordinated liabilities indicating:

fixed-term loans	
indefinite-term loans	40,000
indefinite-term securities and other financial instruments	

(4) Indicate the profits realised in the past five years in the assets in the classes I, III and IV as per article 2, paragraph 1 and in the complementary insurance as per article 2, paragraph 2 of the Insur

(5) Indicate the value recorded in the report prepared by the actuary, taking into consideration the possibility to utilise this account up to the expiry of the transitory period

(6) Record the value indicated in the report prepared by the actuary

*** indicate the amount in absolute terms**

cont: I - BASIS OF CALCULATION OF THE SOLVENCY MARGIN REQUESTED FOR YEAR N TAKEN FROM THE FINANCIAL STAT.

I/II - Human life-span, marriage and birth insurance.		
(34)	Actuarial reserves for direct insurance	2,886,743
(35)	Actuarial reserves for inward reinsurance	1,876
(36)	Actuarial reserves for outward reinsurance	74,113
(37)	Non-negative sums at risk taken on by the company	9,478,251
(38)	Non-negative sums at risk for which the company remains accountable after cessions and retrocesssions	6,901,401
(39)	Non-negative sums taken on by the company for term life policies covering against death and with a maximum duration of three years	1,775,666
(40)	Non-negative sums taken on by the company for term life policies covering against death and for more than three years but less than or equal to five years	360,225
Complementary insurance - Personal injury		
(41)	Gross premiums written	428
(42)	Claims paid in year N: gross amount	16
(43)	Claims paid in year N: reinsurers' share	
(44)	Change in reserves for claims in year N: gross amount (refers to item 16 of attachment No. 1)	-224
(45)	Change in reserves for claims in year N: reinsurers' share	
(46)	Claims paid in year N -1: gross amount	42
(47)	Claims paid in year N - 1: reinsurers' share	
(48)	Change in reserve for claims in year N - 1: gross amount (refers to item 17 of attachment No. 1)	-2
(49)	Change in reserve for claims in year N - 1: reinsurers' share	
(50)	Claims paid in year N - 2: gross amount	242
(51)	Claims paid in year N - 2: reinsurers' share	
(52)	Change in reserve for claims in year N - 2: gross amount (refers to item 18 of attachment No. 1)	25
(53)	Change in reserve for claims in year N - 2: reinsurers' share	
IV - Health insurance		
(54)	Actuarial reserves for direct insurance	760
(55)	Actuarial reserves for inward reinsurance	
(56)	Actuarial reserves for outward reinsurance	
(57)	Gross premiums written	52
(58)	Claims paid in year N: gross amount	
(59)	Claims paid in year N: reinsurers' share	
(60)	Change in reserves for claims in year N: gross amount (refers to item 16 of attachment No. 2)	
(61)	Change in reserves for claims in year N: reinsurers' share	
(62)	Claims paid in year N -1: gross amount	
(63)	Claims paid in year N -1: reinsurers' share	
(64)	Change in reserve for claims in year N - 1: gross amount (refers to item 17 of attachment No. 2)	
(65)	Change in reserve for claims in year N - 1: reinsurers' share	
(66)	Claims paid in year N - 2: gross amount	
(67)	Claims paid in year N - 2: reinsurers' share	
(68)	Change in reserve for claims in year N - 2: gross amount (refers to item 18 of attachment No. 2)	
(69)	Change in reserve for claims in year N - 2: reinsurers' share	
V - Securitisation operations.		
(70)	Actuarial reserves for direct insurance	648,321
(71)	Actuarial reserves for inward reinsurance	
(72)	Actuarial reserves for outward reinsurance	8,471
III/VI - Insurance linked to investment funds and pension fund management .		
	When investment risk is borne by the company:	
(73)	Actuarial reserves for direct insurance	30,052
(74)	Actuarial reserves for inward reinsurance	
(75)	Actuarial reserves for outward reinsurance	
	without assumption of the investment risk and the contract determines the amount of the management expenses for more than five years:	
(76)	Actuarial reserves for direct insurance	181,770
(77)	Assets pertaining to pension funds managed in the name and on behalf of third parties	
	without assumption of the investment risk and the contract determines the amount of the management expenses for a period not greater than five years:	
(78)	Net administration expenses in the past year (relating to insurance connected to investment funds).. (8)	86
(79)	Net administration expenses in the past year (relating to management of pension funds)..(9)	
	When mortality risk is borne by the company:	
(80)	Non-negative sums at risk taken on by the company	5,106
(81)	Non-negative sums at risk taken on by the company after cession and retrocessions	5,106

(8) Carry over of amount indicated in line c) of schedule 2 of attachment 3 showing the solvency margin relating to class III

(9) Carry over of amount indicated in line c) of schedule 2 of attachment 3 showing the solvency margin relating to class VI

II – CONSTITUTING ELEMENTS OF THE AVAILABLE SOLVENCY MARGIN

Elements A)			
(82) = (6) - (1)	Share capital or equivalent paid-in fund		31,107
	Reserves not covering specific commitments or adjusting asset items:		
(83) = (9)	legal reserve		14,224
(84)	free reserve		426,305
	Retained earnings:		
(85)	profits carried forward not distributed (*)		
(86)	profit in year not distributed (*)		
(87)	Total cumulative preference shares and sub-ordinated liabilities within limits of article 44, paragraph 3, of the Insurance Code		40,000
	of which:		
(88)	sub-ordinated loan at fixed maturity or cumulative preference shares for fixed period (for an amount not exceeding 25% of the lower between the amount at line 169 and that indicated at line 168…….		
(89)	indefinite-term loans	*40,000*	
(90)	indefinite-term securities and other financial instruments, including the cumulative preference shares other than those mentioned in article 44, para 3, letter a) of the Insurance Code		
(90*bis*)	Elements of the subsidiaries/other holdings		
(90 ter)	Other elements ……		
(91)	*Totale from (82) to (90bis) and (90 ter)*		511,636
(92)	Acquisitions commissions to be amortised, as per art. 12, paragraph. 2 of the Regulation		1,005
(93) = (3)	Other intangible assets		4,992
(94) = (4) + (5)	Treasury shares or quotas in holding companies…….		16,219
(95) = (13) + (14)	Loss in the year and losses carried forward		62,235
(95 bis)	Other deductions……		
(96)	*Totale from (92) to (95 bis)*		84,451
(97)	**Total Elements A) = (91) - (96)**		427,185
Elements B)			
(98)	50% of future profits		
(99)	Difference between amount of actuarial reserve determined according to reported pure premiums, less the amount in the same reserve relating to ceded risks		
	and the amount of the corresponding actuarial reserves determined according to reported pure premiums increased by amortisation of acquisition expenses contained in gross premiums		
	(within the limits of art. 23, paragraph 1, letter b) of the Regulation		
(100)	Unrealised gains, net of losses and commitments expected towards policyholders, resulting from the valuation of all investments of the company		
(101)	Half of unpaid share capital or equivalent fund not paid in subscibed, on condition that at least 50 % of the entire share capital or subscribed fund paid- in		
(102)	**Total Elements B) = (98)+(99)+(100)+(101)**		
(103)	*Amount of the available solvency margin (of which elements B .....%)* **Total Elements A) and B) = (97) + (102)**		427,185

(*) The only amounts to be indicated are those that, by virtue of shareholders' resolutions, remain part of shareholders' equity

(84) = (7) + (8) + (10) + (11) + (12)
(87) = (88) + (89) + (90) on condition that (87) <= 0.5 * [lower between (168) and (169)]
(90*bis*) = total column *h - i - a - b* of attatchement 4

(92) = (2) - [(26) - (27) - (28) + (29)] provided that it is positive
(98)= 0.5 * [(24)* (25)] - [(31)-(32)-(33)] ; on condition that (98) < = 0.25 * [lower between (168) and (169)] and that (24) < = [(19)+(20)+(21)+(22)+(23)]/5; in addition (25) <= 6
(99) = [(26) - (27) - (28) + (29)] - (2) provided that it is positive and that [(26) - (27) - (28) + (29)] ≤ [3,5 / 100] x (30)
(100)= [(31)-(32)-(33)] on condition that [(31)-(32)-(33)] < = 0.10 * [lower between (168) and (169)]
(101) = 0.5 * (1) if (82) >= (6)/2 on condition that (101) <= 0,5 * [lower between (168) and (169)]; (101) =0 if (82) < (6)/2

III - AMOUNT OF THE SOLVENCY MARGIN REQUESTED

A) Human life-span, marriage and birth insurance.			
(104)	4/100 of actuarial reserves for direct business and inward reinsurance	115,545	
(105)	retention rate for these reserves (minimum 0.85) 0.974		
(106)	(104) x (105)		112,593
	Policies with non-negative sums at risk (excluding term policies referred to in subsequent points)		
(107)	0.3/100 of capital sums at risk		22,027
	Policies with non-negative sums at risk (term policies with maximum of 3 years):		
(108)	0.1/100 of capital sums at risk		1,776
	Policies with non-negative sums at risk (term policies more than three years but less than or equal to five years):		
(109)	0.15/100 of capital sums at risk		540
(110)	*Total (107) + (108) + (109)*		24,343
(111)	retention rate for sums at risk (minimum 0.50) 0.728		
(112)	(110) x (111)		17,722
(113)	**Solvency margin requested A): (106) + (112)**……		130,315
B) Complementary insurance - personal injury (art. 2, par. 2 of the insurance Code)			
	b1) Calculation according to annual amount of premiums and contributions		
(114) = (41)	Gross premiums written	428	
	to be divided:		
(115)	less than or equal to 575,00,000 EURO = 428 x 0.18 = .	77	
(116)	portion exceeding 57,500,000 EURO = x 0.16 = .		
(117)	*Total (115) + (116)*	77	
(118)	Retention level in relation to claims in the year borne by the company following outward reinsurance (minimum 0.50) 1.000		
(119)	*Solvency margin requested b1, (117) x (118)*		77
	b2) Calculated based on average claims cost in the last 3 fiscal years		
(120)	Claims paid in period: gross amount…….	300	
(121)	Change in claims reserve in period:	-201	
(122)	Claims costs……	99	
(123)	Annual average: 1/3 of (122)	33	
	to be divided:		
(124)	less than or equal to 40,300,000 EURO = 33 x 0,26 = .	9	
(125)	portion exceeding 40,300,000 EURO = x 0,23 = .		
(126)	*Total (124) + (125)*	9	
(127)	*Solvency margin requested b2, (126) x (118)*		9
(128)	Solvency margin requested B): higher result between (119) and (127)	77	
(129)	Solvency margin requested B) Year N - 1	102	
(130)	**Solvency margin requested B) …….. .....…….**		102
C) Health insurance			
(131)	4/100 of actuarial reserves for direct business and inward reinsurance	30	
(132)	retention rate for these reserves (minimum 0.85) 1.000		
(133)	(131) x (132)		30
	c1) Calculation according to annual amount of premiums and contributions		
(134) = (57)	Gross premiums written	52	
	to be divided:		
(135)	less than or equal to 57,500,000 EURO = 52 x (0.18)/3 = ...	3	
(136)	portion exceeding 57,500,000 EURO = x (0,16)/3 = ...		
(137)	*Total (135) + (136)*	3	
(138)	Retention level in relation to claims in the year borne by the company following outward reinsurance (minimum 0.50) 0.500		
(139)	*Solvency margin requested c1, (137) x (138)*		2
	c2) Calculated based on average claims cost in the last 3 years		
(140)	Claims paid in period: gross amount…….		
(141)	Change in claims reserve in period:		
(142)	Claims costs……		
(143)	Annual average: 1/3 of (142)		
	to be divided :		
(144)	less than or equal to 40,300,000 EURO = x (0.26)/3 = ...		
(145)	portion exceeding 403,300,000 EURO = x (0.23)/3 = ...		
(146)	*Total (144) + (145)*		
(147)	*Solvency margin requested c2, (146) x (138)*		
(148)	*Higher result between (139) and (147)*	2	
(149)	Solvency margin requested Year N-1	16	
(150)	Solvency margin requested Year N	16	
(151)	**Solvency margin requested C)** (133)+(150)……		46

:ont: III AMOUNT OF THE SOLVENCY MARGINS REQUESTED

D) Securitisation operations				
(152)	4/100 of actuarial reserves for direct business and inward reinsurance		25,933	
(153)	retention rate for these reserves (minimum 0.85)	0.987		
(154)	**Solvency margin requested D):** *(152) x (153)*			25,594
E) Insurance linked to investment funds and pension-fund management.				
	When investment risk is borne by the company:			
(155)	4/100 of actuarial reserves for direct business and inward reinsurance		1,202	
(156)	retention rate for these reserves (minimum 0.85)	1.000		
(157)	(155) x (156)			1,202
	Without investment risk, providing that policies fix management fees for more than five years			
(158)	1/100 gross reserve of direct business.....			1,818
	Without investment risk, providing that policies do not fix management fees for not more than five years			
(159)	25/100 of the net administration expenses of the past year.....……..			22
	With mortality risk borne by the company			
(160)	0.3/100 of non-negative sums at risk		15	
(161)	retention rate for sums at risk (minimum 0.50)	1.000		
(162)	(160) x (161)			15
(163)	**Solvency margin requested E): (157) + (158) + (159) + (162)**			3,057

	Solvency margin status and quota of guarantee		
(164)	*Total solvency margin requested (113) + (130) + (151) + (154)+(163)*.....	159,114	
(164*bis*)	Capital requested by the subsidiaries/other holdings.....		
(164*ter*)	Amount of the solvency margin requested…….	159,114	
(164quater)	Amount of the solvency margin requested as per item 70 of attachment 5 of Regulation n.33		
(164quinquies)	Amount of total solvency margin requested (164ter) + (164quater)	159,114	
(165)	Quota of guarantee: 1/3 of (164ter)	53,038	
(166)	Minimum guarantee quota as per art. 44, para. 3, of the Insurance Code	3,500	
(167)	Guarantee quota (higher amount between (165) and (166).....	53,038	
(168)	Amount of the solvency margin requested [the higher maount between (164quinquies) and (167)]		159,114
(169) = (103)	Amount of solvency margin available		427,185
(170) = (169) - (168)	**Surplus (deficit) .....**		268,071

(104) = [4 / 100] x [(34)+ (35)]
(105) = [(34) + (35) - (36)] / [(34) + (35)]
(107) = [0,3 / 100] x [(37) - (39) - (40)]
(108) = [0,1 / 100] x (39)
(109) = [0,15 / 100] x (40)
(111) = (38) / (37)
(118) = 1-[(43)+(47)+(51)+(45)+(49)+(53)]/[(42)+(46)+(50)+(44)+(48)+(52)]
(120) = (42) + (46) + (50)
(121) = [(44)+(48)+(52)]
(122) = (120) + (121)
(130) = if (128) < (129) then (130) = (129)*[Claim reserve N (account (2) -Attachment 1)] / [Claim reserve N - 1 (account (2) - Attachment 1)] this cannot be > 1; if 128>= 129 then 130 = 128
(131) = [4 / 100] x [(54)+ (55)]
(132) = [(54) + (55) - (56)] / [(54) + (55)]
(138) = [(58+62+66)-(59+63+67)+(60+64+68)-(61+65+69)]/[(58+62+66)+(60+64+68)]
(140) = (58)+(62)+(66)
(141) = [(60)+(64)+(68)]
(142) = (140) + (141)
(149) = (150)of the margin year N-1
(150) = if (148) >= (149) then (150) = (148)
if (148) < (149) then(150) = (149)*[Claims reserve N (account (2) - Attachment 2)] / [Claims reserve N - 1 (account (2) - Attachment 2)], this cannot be > 1. In any case (150) > = (148).
(152) = [4 / 100] x [(70) + (71)]
(153) = [(70) + (71) - (72)] / [(70) + (71)]
(155) = [4 / 100] x [(73) + (74)]
(156) = [(73) + (74) - (75)] / [(73) + (74)]
(158) = [1 / 100] x [(76) + (77)]
(159) = (25/100) * [(78) + (79)]
(160) = [0,3 / 100] x (80)
(161) = (81) / (80)
(164bis) = total column g of attachment 4
(164*ter*) = (164) + (164*bis*)

Attachment No. 1 of the table showing the solvency margin as per article 28, paragraph 1 of the Regulation

Company MILANO ASSICURAZIONI SPA

Year 2010

ment to chart showing solvency margin - complementary insurance (physical injury)

(in Euro thousands)

		Year	
	N	**N-1**	**N-2**
(1) Change in claims reserve: gross amount (included in item 48 of income statement)	-224	-2	25
(2) Claims reserve, net of reinsurance	119	343	345
Portfolio movements for claims reserve for the year and for previous years*:			
- costs			
(3) - risks written as direct insurance	0	0	0
(4) - risks ceded on direct insurance business	0	0	0
(5) - risks accepted as inward insurance	0	0	0
(6) - risks ceded on inward reinsurance business	0	0	0
- revenues			
(7) - risks ceded on direct insurance business	0	0	0
(8) ´- risks ceded on direct insurance business	0	0	0
(9) - risks accepted as inward insurance.....	0	0	0
(10) - risks ceded on inward insurance business	0	0	0
Changes due to exchange rate differences on reserves at beginning of year			
- direct insurance risks			
-11 -costs	0	0	0
-12 - revenues……..	0	0	0
- risks accepted as inward insurance:			
-13 -costs	0	0	0
-14 - revenues……	0	0	0
-15 total changes due to exchange differences (12 + 14 - 11 - 13)	0	0	0

Change in claims reserve: gross amount to be used to calculate the solvency margin requested:

	Amount	**Corresponding to the accounts of the solvency margin table**
(16) year N ..... (1+7+9+15)	-224	account 44 sec. I
(17) year N-1 .....(1-3-5+7+9+15)	-2	account 48 sec. I
(18) year N-2 .....(1-3-5)	25	account 52 sec. I

* Cost and revenues of portfolio movements relating to the year and previous years must be shown without off-setting between withdrawals and cessions.

Attachment No 2 to the table showing the solvency margin as per article 28, paragraph 1 of the regulation

Company Milano Assicurazioni S.p.A.

Year 2010

Attachment to chart showing solvency margin - health insurance as per article 1, number 1, letter d. of EC directive No. 79/267 of March 5, 1979 - reference base for the calculation of solvency margin as per paragraph c), point 2 art. 35 of legislative decree 174/95

(in Euro thousands)

	Esercizi		
	N	**N-1**	**N-2**
(1) Change in claims reserve: gross amount (Included in item 48 of income statement)	0	0	0
(2) Claims reserve net of reinsurance	0	0	0
Portfolio movements for claims reserve for the year and for previous years*: costs			
(3) ´- risks written as direct insurance	0	0	0
(4) - risks ceded on direct insurance business	0	0	0
(5) - risks accepted as inward insurance	0	0	0
-6 - risks ceded on inward reinsurance business	0	0	0
- revenues			
-7 - risks written as direct insurance	0	0	0
-8 - risks ceded on direct insurance business	0	0	0
-9 - risks accepted as inward insurance	0	0	0
-10 - risks ceded on inward reinsurance business	0	0	0
Changes due to exchange rate differences on reserves at beginning of year			
- direct insurance risks			
-11 -costs	0	0	0
-12 - revenues.....	0	0	0
- risks accepted as inward insurance:			
-13 -costs	0	0	0
-14 - revenues.....	0	0	0
-15 total changes due to exchange differences (12 + 14 - 11 - 13)	0	0	0

Change in claims reserve: gross amount to be used to calculate the solvency margin requested:

	Amount	Corresponding to the accounts of the solvency margin table
(16) year N ..... (1+7+9+15)	0	account 60 sec. I
(17) year N-1 .....(1-3-5+7+9+15)	0	account 64 sec. I
(18) year N-2 .....(1-3-5)	0	account 68 sec. I

* Cost and revenues of portfolio movements relating to the year and previous years must be shown without off-setting between withdrawals and cessions.

Attatchement II

Company MILANO ASSICURAZIONI SPA

TABLE SHOWING THE SOLVENCY MARGIN
(Art. 28, paragraph 2 of the Regulation)

Year 2010

(in Euro thousands)

Classes

Motor TPL, aviation, maritime, general, credit, bonds.....	x
Injury, health, land vehicle, rail, aviation and maritime; goods transported, fire and natural elements, general pecuniary losses, assistance……	x
Other property damage, legal protection	x

I - BASIS OF CALC. OF SOL. MARGIN REQUESTED FOR YEAR N TAKEN FROM THE FIN. STATS

	Balance sheet accounts – non-life business		
(1)	Amounts due from shareholders for unpaid subscribed capital	(item 1)	
(2)	Acquisition commissions to be amortised and other acquisition expenses	(item 4 e 6)	
(3)	Other intangible assets	(item 7, 8 and 9)	35,618
(4)	Shares or quotas in holding companies	(item 17)	173,087
(5)	Treasury shares and quotas	(item 91)	8,081
(6)	Subscribed share capital or equivalent fund	(item 101)	274,744
(7)	Share premium reserve	(item 102)	530,645
(8)	Revaluation reserve	(item 103)	1,069
(9)	Legal reserve	(item 104)	37,456
(10)	Statutory reserves	(item 105)	
(11)	Reserve for treasury shares or those of parent company	(item 106)	181,168
(12)	Other reserves (1)		427,210
(13)	Losses carried forward	(item 108 (*))	
(14)	Loss for year	(item 109 (*))	450,444
(15)	Retained earnings	(item 108)	
(16)	Profit for year	(item 109)	
(17)	Cumulative preference share: (2)		
(18)	Sub-ordinated liabilities (3)	(included in item 111)	
(19)	Unrealised gains resulting from valuations of all investments of the company, where they are not of an exceptional nature	In case of utilisation for solvencu margin, as per art. 23, para 1, lett c) of the Regulation	
(20)	Losses resulting from valuations of all investments of the company		
	Income statement accounts of year N		
(21)	Gross premiums written	(item 1)	2,809,184
(22)	Gross premiums written of classes 11, 12 and 13	(see attachment 2)	226,090
(23)	Claims paid: gross amount	(item 8)	2,377,449
(24)	Claims paid in classes 11, 12 and 13 gross amount	(see attchment 2)	164,632
(25)	Claims paid: reinsurers' share	(item 9)	60,298
(26)	Claims paid in classes 11, 12 and 13 reinsurers' share	(see attachment 2)	4,303
(27)	Change in recoveries: gross amount	(item 11)	48,195
(28)	Changes in recoveries classes 11, 12 and 13: gross amount	(see attachment 2)	8,116
(29)	Change in recoveries: reinsurers' share	(item 12)	
(30)	Changes in recoveries classes 11, 12 and 13: reinsurers' share	(see attachment 2)	
(31)	Change in claims reserve: gross amount	(see attachment 1)	91,456
(32)	Changes in claims reserve classes 11, 12 and 13: gross amount	(see attachment 2)	40,504
(33)	Change in claims reserve: reinsurers' share	(item 15)	-23,031
(34)	Changes in claims reserve classes 11, 12 and 13: reinsurers' share	(see attachment 2)	6,050

(1) Insert the other reserves as per item 107 excluding, for the first three years, the fund created for the expenses detailing them below:

Extraordinary reserve	85,291
Merger reserves	66,504
Share swap surplus reserve	258,415
Rserve for purchase of treasury shares	12,500
Reserve for purchase of holding companys´ shares	4,500

(2) Insert cumulative preference shares, as per art. 44, paragraph 3, letter a) and b) of the Insurance Code, indicating:

cumulative preference shares as per art. 44, paragraph 3, letter a)

cumulative preference shares as per art. 44, paragraph 3, letter b)

(3) Insert the subordinated liabilities indicating:

- fixed-term loans
- indefinite-term loans
- indefinite-term securities and other financial instruments

(*) Indicates the total loss

cont: I - BASIS OF CALC. OF SOL. MARGIN REQ. FOR YEAR N TAKEN FROM THE FIN. STATS

Income statement accounts for the years prior to N			
(35)	Claims paid in year N -1: gross amount	(item 8)	2,271,951
(36)	Claims paid in classes 11, 12 and 13 in year N - 1: gross amount	(see Att.. 2)	156,482
(37)	Claims paid in year N -1: reinsurers' share	(item 9)	68,196
(38)	Change in the recoveries in year N - 1: gross amount	(item 11)	52,098
(39)	Changes in recoveries in classes 11, 12 and 13 in year N - 1: gross amount	(see Att.. 2)	9,853
(40)	Change in the recoveries in year N - 1: reinsurers' share	(item 12)	
(41)	Change in reserve for claims in year N - 1: gross amount	(see Att. 1)	126,006
(42)	Change of the claims reserve of the classes 11, 12 and 13 in the year N - 1: gross amount	(see Att.. 2)	11,031
(43)	Change in reserve for claims in year N - 1: reinsurers' share	(item 15)	12,477
(44)	Claims paid in year N -2: gross amount	(item 8)	2,429,498
(45)	Claims paid in classes 11, 12 and 13 in year N - 2: gross amount	(see Att. 2)	157,607
(46)	Claims paid in year N -2: reinsurers' share	(item 9)	94,796
(47)	Change in the recoveries in year N - 2: gross amount	(item 11)	30,065
(48)	Changes in recoveries in classes 11, 12 and 13 in year N - 2: gross amount	(see Att. 2)	6,834
(49)	Change in the recoveries in year N - 2: reinsurers' share	(item 12)	241
(50)	Change in reserve for claims in year N - 2: gross amount	(see Att. 1)	-232,650
(51)	Change of the claims reserve of the classes 11, 12 and 13 in the year N - 2: gross amount	(see Att.. 2)	34,473
(52)	Change in reserve for claims in year N - 2: reinsurers' share	(item 15)	-36,801
	Accounts to be compiled only by the companies that exercise exclusively or prevalently "particular risks" (**):		
(53)	Claims paid in year N -3: gross amount	(item 8)	
(54)	Change in reserve for claims in year N - 3: gross amount	(see Att. 1)	
(55)	Claims paid in year N -4: gross amount	(item 8)	
(56)	Change in reserve for claims in year N - 4: gross amount	(see Att. 1)	
(57)	Claims paid in year N -5: gross amount	(item 8)	
(58)	Change in reserve for claims in year N - 5: gross amount	(see Att. 1)	
(59)	Claims paid in year N -6: gross amount	(item 8)	
(60)	Change in reserve for claims in year N - 6: gross amount	(see Att. 1)	

(**) "Particular risks" refer to credit, storm, hailstorm and frost risk

II – CONSTITUTING ELEMENTS OF THE AVAILABLE SOLVENCY MARGIN

Elements A)			
(61) = (6) - (1)	Share capital or equivalent fund paid-in		274,744
	Reserves not covering specific commitments or adjusting asset items:		
(62) = (9)	legal reserve		37,456
(63)	free reserve		1,140,092
	Retained earnings:		
(64)	retained earnings not distributed (***)		
(65)	profit for the year not distributed (***)		
(66)	Total cumulative preference shares and sub-ordinated liabilities within limits of article 44, paragraph 3, of the Insurance Code		110,000
	of which:		
(67)	sub-ordinated loan at fixed maturity or cumulative preference shares for fixed period (for an amount not exceeding 25% of the lower between the amount at line (105) and that indicated at line (104))	50,000	
(68)	indefinite-term loans	60,000	
(69)	indefinite-term securities and other financial instruments, including the cumulative preference shares other than those mentioned article 44, para. 3, letter a) of the Insurance Code		
(69*bis*)	Elements of the subsidiaries/other holdings		
(69 ter)	Other elements		
(70)	*Total from (61) to (69bis)and (69 ter)*		1,562,292
(71)	Acquisition commissions to be amortised and other acquisition costs		
(72) = (3)	Other intangible assets		35,618
(73) = (4) + (5)	Shares or quotas in holding companies		181,168
(74) = (13) + (14)	Loss in the year and losses carried forward		450,444
(74 bis)	Other deductions		
(75)	*Totale from (71) to (74bis)*		667,230
(76)	**Total elements A) = (70) - (75)**		895,062
Elements B)			
(77)	Unrealised gains, net of losses resulting from valuations of all investments of the company		
(78)	Half of unpaid share capital or equivalent fund not paid in subscribed, on condition that at least 50% of the entire share capital or subscribed fund paid-in		
(79)	**Total Elements B) = (77)+(78)**		
(80)	*Amount of the available solvency margin (of which elements B ……%)* **Total Elements A) and B) = (76) + (79)**		895,062

(63)= (7) + (8) + (10) + (11) + (12)

(66) = (67) + (68) + (69) on condition that (66) <= 0,5 * [lower between (105) and (104)]

(69bis) = total column *h - i - a - b* of attatchement 3

(71) = 0,4 * (2)

(77)= [(19) - (20)[*on condition that [(19) - (20)] <= 0.20 * [lower between (105) and (104)]

(78)= 0.5 * (1) if (61) >= (6) / 2 on condition that (78) < = 0.5 *[lower between (105) and (104)]; (78) = 0 if (61) < (6) / 2

(***) The only amounts to be indicated are those that, by virtue of shareholders' resolutions, remain part of shareholders' equity

III - AMOUNT OF THE SOLVENCY MARGIN REQUESTED

(A) Calculation according to annual amount of premiums or contributions					
(81)	Gross premiums written in last year			2,922,229	
	to be divided:				
(82)	less than or equal to	57,500,000 EURO =	57,500 x 0.18 =	10,350	
(83)	portion exceeding	57,500,000 EURO =	2,864,729 x 0.16 =	458,357	
(84)	*Total a), (82) + (83)*.....			468,707	
(85)	Retention level (g) in relation to claims in the year borne by the company following outward reinsurance				
	(minimum 0.500)		0.975		
(86)	*Solvency margin requested a) x g), (84) x (85)*			456,989	
B) Calculated based on average claims cost in the last 3 years or in the last 7 years by the companies that exercise exclusively or prevalently "particular risks"					
(87)	Claims paid in period: gross amount……			7,318,259	
(88)	Change in claims reserve in period: gross amount……			27,816	
(89)	Change of the recoveries during the period: gross amount……			142,760	
(90)	Claims costs……			7,203,316	
(91)	Annual average: 1/3 or 1/7 of (90) * to be divided:			2,401,105	
(92)	less than or equal to	40,300,000 EURO =	40,300 x 0.26 =	10,478	
(93)	portion exceeding	40,300,000 EURO =	2,360,805 x 0.23 =	542,985	
(94)	*Total b), (92) + (93)*			553,463	
(95)	*Solvency margin requested b) x g), (94) x (85)*			539,626	

Solvency margin status and quota of guarantee			
(96) = (86)	Amount of the solvency margin requested as a percentage of the annual amount of premiums or contributions……	456,989	
(97) = (95)	Amount of the solvency margin requested as a percentage of the average claim charges……	539,626	
(98)	*Higher amount between (96) and (97)*.....	539,626	
(98*bis*)	Capital requested by the subsidiaries/other holdings.....		
(98*ter*)	Amount of the solvency margin requested…….	539,626	
(99)	Quota of guarantee: 1/3 of (98ter)	179,875	
(100)	Minimum guarantee as per art. 46, para. 3, of the Insurance Code…….	3,500	
(101)	*Guarantee quota (higher amount between (99) and (100)*.....	179,875	
(102)	*Amount of the solvency margin requested for year N: (higher amount between (98ter) and (101)*.....	539,626	
(103)	*Amount of the solvency margin requested for year N-1:*	519,736	
(104)	*Amount of the solvency margin requested*……		539,626
(105) = (80)	*Amount of the solvency margin available*		895,062
(106) = (105) - (104)	*Surplus (deficit)*		355,436

(81) = (21) + [(0,5) * (22)]
(85) = 1 - { [(25) + (37) + (46)] - [(29) + (40) + (49)] + [(33) + (43) + (52)] } / { [(23) + (35) + (44)] - [(27) + (38) + (47)] + [(31) + ((**)
(87) = (23) + (35) + (44) +(0,5) * [(24) + (36) + (45)] ; for the companies that undertake "particular risks" add also : (53) + (55) + (57) + (59)
(88) = (31) + (41) + (50) + (0,5) * [(32) + (42) + (51)]; for the companies that undertake "particular risks" add also: (54) + (56) + (58) + (60)
(89) = (27) + (38) + (47) + (0,5) * [(28) + (39) + (48)]
(90) = (87) + (88) - (89)
(98*bis*) = total column g for attatchement 3
(98*ter*) = (98) + (98*bis*)
(104) = if (102) > = (103) then (104) =(102);
if (102) < (103) then (104)=(103) * [(113) - (59) of attatchement 1 of the notes] / [(293) - (239) of attatchement 1 of the notes], is above 1. In any case (104) >= (102).

Società MILANO ASSICURAZIONI SPA

Year 2010

Attachment to the table showing the solvency margin - non-life sector

(in Euro thousands)

	Years						
	N	**N-1**	**N-2**	**N-3**	**N-4**	**N-5**	**N-6**
(1) Change in claims reserve: gross amount (item 14 of the Income Statement)	90,858	126,854	-232,390	0	0	0	0
Portfolio movements for claims reserve for the year and for previous years *: - costs							
(2) - risks written as direct insurance	0	0	0	0	0	0	0
(3) - risks ceded on direct insurance business	12,013	11,784	13,138	0	0	0	0
(4) - risks accepted as inward insurance	96	591	260	0	0	0	0
(5) - risks ceded on inward reinsurance business	0	0	0	0	0	0	0
- revenues							
(6) - risks written as direct insurance	0	0	0	0	0	0	0
(7) - risks ceded on direct insurance business	22,687	16,498	24,173	0	0	0	0
(8) - risks accepted as inward insurance	0	0	0	0	0	0	0
(9) - risks ceded on inward reinsurance business	0	0	0	0	0	0	0
Changes due to exchange rate differences on reserves at beginning of year - direct insurance risks							
(10) -costs	0	100	0	0	0	0	0
(11) - revenues	0	0	352	0	0	0	0
- risks accepted as inward insurance:							
(12) -costs	0	247	306	0	0	0	0
(13) - revenues	598	90	368	0	0	0	0
(14) total changes due to exchange-rate differences (11 + 13 - 10 - 12)	598	-257	414	0	0	0	0

Change in claims reserve: gross amount to be used to calculate the solvency margin:

	Amount	**Corresponding to the accounts of the solvency margin table**
(15) year N (1+6+8+14)	91,456	item 31 sec. I
(16) year N-1 (1-2-4+6+8+14)**	126,006	item 41 sec. I
(17) year N-2 (1-2-4)***	-232,650	item 50 sec. I

* The costs and revenues of the movements in the portfolio relating to the year and the previous year must be shown without any off-set.

** In the case of "particular risks" the calculation must be made also for the years N-2, N-3, N-4, N-5 (items 50, 54, 56, 58 section I)

*** In the case of "particular risks" the calculation must be made also for the year N-6 (item 60 section I)

Attachment 2 to the table showing the solvency margin as per art. 28, para. 2, of the Regulation

Company MILANO ASSICURAZIONI S.P.A.

Year 2010

Attachment to the table showing the solvency margin - classes 11,12 and 13

(in euro thousands)

		N	N-1	N-2
1	**Gross premiums written (1)**	226,090	224,268	220,295
2	- class 11	3,635	5,619	2,859
3	- class 12	3,684	3,614	3,359
4	- class 13	218,771	215,035	214,077
5	**Claims paid: gross amount (2)**	164,632	156,482	157,607
6	- class 11	971	86	755
7	- class 12	3,869	4,437	1,536
8	- class 13	159,792	151,959	155,316
9	**Claims paid: reinsurers' share (3)**	4,303	6,186	8,080
10	- class 11	617	88	530
11	- class 12	0	0	0
12	- class 13	3,686	6,098	7,550
13	**Change in recoveries: gross amount (4)**	8,116	9,853	6,834
14	- class 11	1	-2	-9
15	- class 12	39	12	7
16	- class 13	8,076	9,843	6,836
17	**Change in recoveries: reinsurers' share (5)**	0	0	0
18	- class 11	0	0	0
19	- class 12	0	0	0
20	- class 13	0	0	0
21	**Change in claims reserve: gross amount (6)**	40,504	11,031	34,473
22	- class 11	71	343	-819
23	- class 12	3,527	-3,369	1,532
24	- class 13	36,906	14,057	33,760
25	**Change in claims reserve: reinsurers' share (7)**	6,050	3,651	8,610
26	- class 11	178	-136	419
27	- class 12	9	4	-9
28	- class 13	5,863	3,783	8,200

(1) Included in item 1 of the income statement

(2) Included in item 8 of the income statement

(3) Included in item 9 of the income statement

(4) Included in item 11 of the income statement

(5) Included in item 12 of the income statement

(6) Indicate the amount shown in attachment 2 bis

(7) Included in item 1 of the income statement

(Attachment 2 bis – class 11 - chart showing solvency margin as per article 28, par. 2, of the Regulation)

Company MILANO ASSICURAZIONI S.P.A.

Year 2010

Attachment to the table showing the solvency margin - class 11

(in euro thousands)

	Year		
	N	**N-1**	**N-2**
(1) Change in claims reserve: gross amount (item 14 of the Income Statement)	71	395	-819
Portfolio movements for claims reserve for the year and for previous years *:			
- costs			
(2) - risks written as direct insurance	0	0	0
(3) - risks ceded on direct insurance business	0	0	0
(4) - risks accepted as inward insurance	0	0	0
(5) - risks ceded on inward reinsurance business	0	0	0
- revenues			
-6 - risks written as direct insurance	0	0	0
-7 - risks ceded on direct insurance business	0	0	0
-8 - risks accepted as inward insurance	0	0	0
-9 - risks ceded on inward reinsurance business	0	0	0
Changes due to exchange rate differences on reserves at beginning of year			
- direct insurance risks			
-10 -costs	0	52	0
-11 - revenues	0	0	83
- risks accepted as inward insurance:			
-12 -costs	0	0	0
-13 - revenues	0	0	0
-14 total changes due to exchange-rate differences (11 + 13 - 10 - 12)	0	-52	83

Change in claims reserve: gross amount from utilisation of the calculation of item 22 of attachment 2

	Amount
(15) year N ……. (1+6+8+14)	71
(16) year N-1 ……. (1-2-4+6+8+14)	343
(17) year N-2 ……. (1-2-4)	-819

* Cost and revenues of portfolio movements relating to the year and previous years must be shown without off-setting between withdrawals and cessions.

(Attachment 2 bis – class 12 - chart showing solvency margin as per article 28, par. 2, of the Regulation)

Company MILANO ASSICURAZIONI S.P.A.

Year 2010

Attachment to the table showing the solvency margin - class 12

(in Euro thousands)

	Years		
	N	**N-1**	**N-2**
-1 Change in claims reserve: gross amount (item 14 of the Income Statement)	3,526	-3,369	1,532
Portfolio movements for claims reserve for the year and for previous years *:			
- costs			
-2 - risks written as direct insurance	0	0	0
-3 - risks ceded on direct insurance business	0	0	0
-4 - risks accepted as inward insurance	0	0	0
-5 - risks ceded on inward reinsurance business	0	0	0
- revenues			
-6 - risks written as direct insurance	0	0	0
-7 - risks ceded on direct insurance business	0	0	0
-8 - risks accepted as inward insurance	0	0	0
-9 - risks ceded on inward reinsurance business	0	0	0
Changes due to exchange rate differences on reserves at beginning of year			
- direct insurance risks			
-10 -costs	0	0	0
-11 - revenues	0	0	0
- risks accepted as inward insurance:			
-12 -costs	0	0	0
-13 - revenues	1	0	0
-14 total changes due to exchange-rate differences (11 + 13 - 10 - 12)	1	0	0

Change in claims reserve: gross amount from utilisation of the calculation of item 23 of attachment 2

	Amount
(15) year N (1+6+8+14)	3,527
(16) year N-1 (1-2-4+6+8+14)	-3,369
(17) year N-2 (1-2-4)	1,532

* Cost and revenues of portfolio movements relating to the year and previous years must be shown without off-setting between withdrawals and cessions.

(Attachment 2 bis – class 13 - chart showing solvency margin as per article 28, par. 2, of the Regulation)

Company MILANO ASSICURAZIONI S.P.A.

Year 2010

Attachment to the table showing the solvency margin - class 13

(in Euro thousands)

	Years		
	N	**N-1**	**N-2**
-1 Change in claims reserve: gross amount (item 14 of the Income Statement)	36,859	14,074	33,760
Portfolio movements for claims reserve for the year and for previous years *:			
- costs			
-2 - risks written as direct insurance	0	0	0
-3 - risks ceded on direct insurance business	390	394	465
-4 - risks accepted as inward insurance	0	0	0
-5 - risks ceded on inward reinsurance business	0	0	0
- revenues			
-6 - risks written as direct insurance	0	0	0
-7 - risks ceded on direct insurance business	5,117	391	604
-8 - risks accepted as inward insurance	0	0	0
-9 - risks ceded on inward reinsurance business	0	0	0
Changes due to exchange rate differences on reserves at beginning of year			
- direct insurance risks			
-10 -costs	0	1	0
-11 - revenues	0	0	16
- risks accepted as inward insurance:			
-12 -costs	0	19	8
-13 - revenues	47	3	43
-14 total changes due to exchange rate differences (11 + 13 - 10 - 12)	47	-17	51

Change in claims reserve: gross amount from utilisation of the calculation of item 24 of attachment 2

	Amount
(15) year N ……. (1+6+8+14)	36,906
(16) year N-1 ……. (1-2-4+6+8+14)	14,057
(17) year N-2 ……. (1-2-4)	33,760

* Cost and revenues of portfolio movements relating to the year and previous years must be shown without off-setting between withdrawals and cessions.

MODEL 1

Company Milano Assicurazioni

ANNUAL SCHEDULE OF THE ASSETS DESIGNATED
TO COVER TECHNICAL RESERVES AS PER ART. 37 OF LGS. DECREE 209/05

Year 2010

(in Euro)

TECHNICAL RESERVES	End of the year 2010		End of the previous year	
Technical reserves to be covered	5	4,841,905,414	6	4,757,426,836

	ASSETS DESCRIPTION	Maximum limits	Balance at the end of the year 2010		Balance at the end of the previous year	
			Values	%	Values	%
A	**INVESTMENTS**					
A.1	***Debt securities and equivalent***					
A.1.1a	Securities - traded in regulated markets - issued or guaranteed by European Union member states or belonging to the OECD, or issued by local or public agencies of EU member states or by international organisations to which one or more EU countries belong;		9 2,096,900,246	10 43.31	11 2,220,855,518	12 46.68
A.1.1b	Securities - not traded in regulated markets - issued or guaranteed by European Union member states or belonging to the OECD, or issued by local or public agencies of EU member states or by international organisations to which one or more EU countries belong;		13 0	14 0.00	15 0	16 0.00
A.1.2a	Bonds or equivalent securities traded in regulated markets;		17 236,293,000	18 4.88	19 220,340,956	20 4.63
A.1.2b	Bonds or equivalent securities – not traded in regulated markets – issued by companies or banking organisations with registered offices in a European Union member state or belonging to the OECD, and with at least 3 years of annual accounts certified by duly authorised independent auditors;		21 52,872,363	22 1.09	23 41,275,328	24 0.87
A.1.3	Other bonds or equivalent securities, other than those indicated in the previous points, provided that their maturity date is within one year ;		25 0	26 0.00	27 0	28 0.00
A.1.4	Harmonised fund units;		29 81,968,127	30 1.69	31 179,495,774	32 3.77
A.1.5	Repos, with obligation to repurchase and deposit securities;	**20%**	33 0	34 0.00	35 0	36 0.00
A.1.8	Accrued interest on securities admissible for coverage on technical reserves ;		49 11,881,699	50 0.25	51 14,950,794	52 0.31
	Total A.1		53 **2,479,915,435**	54 **51.22**	55 **2,676,918,370**	56 **56.27**
	of which structured securities (a)		501 114,576,595	502 2.37	503 104,719,552	504 2.20
	of which securitisation(b)		505 0	506 0.00	507 0	508 0.00
	Total (a) + (b)		509 114,576,595	510 2.37	511 104,719,552	512 2.20
A.2	Mortgages and interest bearing loans secured by mortgages or by banking and insurance guarantees or by other suitable guarantees issued by suitable guarantees issued by local bodies ;	**20%**	57 **0**	58 **0.00**	59 **0**	60 **0.00**
A.3	***Equity securities and equivalent***					
A.3.1a	Shares traded in a regulated market ;		61 573,653,864	62 11.85	63 604,276,110	64 12.70
A.3.1b	Shares and units in the Bank of Italy and co-operative companies – not traded in regulated markets – issued by companies with registered offices in a European Union member state or belonging to the OECD, and with at least 3 years of annual accounts certified by duly authorised independent auditors;		65 11,999,977	66 0.25	67 30,000,002	68 0.63
A.3.3	Harmonised fund units;		73 156,264,270	74 3.23	75 81,136,096	76 1.71
A.3.4	Units in closed mutual investment funds traded in regulated markets;	**5%**	77 939,095	78 0.02	79 905,405	80 0.02
	Total A.3		81 **742,857,206**	82 **15.34**	83 **716,317,613**	84 **15.06**
A.4	***Real estate sector***					
A.4.1	Land, buildings and building rights, for the portions not mortgaged;		85 554,468,226	86 11.45	87 568,717,843	88 11.95
A.4.2	Buildings leased;	**10%**	89 0	90 0.00	91 0	92 0.00
A.4.3	Shareholdings in property companies where the company owns at least 10%, provided that the parent company of the insurance group holds directly or indirectly more than 50% of the share capital with exclusive purpose the construction or management of non-luxury residential building or industrial or commercial buildings or buildings for agricultural use. The amount corresponds to book value up to the buildings market value and in proportion to the shareholding owned, net of total liabilities shown in the accounts of the property companies concerned ;		93 151,495,940	94 3.13	95 210,841,843	96 4.43

	to carry forward			3,928,736,807		81.14	4,172,795,669	87.71
	carried forward			3,928,736,807		81.14	4,172,795,669	87.71
A.4.4	Units in closed property mutual investment funds located in EU countries.	**10%**	97	157,247,880	98	3.25	99 0	100 0.00
	Total A.4	**40%**	101	**863,212,046**	102	**17.83**	103 **779,559,686**	104 **16.39**
A.5	***Alternative investments***							
A.5.1a	Units in investment funds not as per EU Directive 611/85 that principally invests in bonds;		301	0	302	0.00	303 0	304 0.00
A.5.1b	Units in investment funds not as per EU Directive 611/85 that principally invests in equities;		305	0	306	0.00	307 0	308 0.00
A.5.2a	Investments in closed investment funds not traded on a regulated market and in reserved funds;		309	6,127,896	310	0.13	311 153,471,649	312 3.23
A.5.2b	Investments in security funds and speculative real estate funds;		313	54,892,200	314	1.13	315 58,735,401	316 1.23
	Sub-total A.5.2a+A.5.2.b	**5%**	317	**61,020,096**	318	**1.26**	319 **212,207,050**	320 **4.46**
	Total A.5	**10%**	321	**61,020,096**	322	**1.26**	323 **212,207,050**	324 **4.46**
	Sub-total A.1 + A.5.1a	**85%**	325	**2,479,915,435**	326	**51.22**	327 **2,676,918,370**	328 **56.27**
	Sub-total A.3+A.5.1b+A.5.2a+A.5.2.b	**25%**	329	**803,877,302**	330	**16.60**	331 **928,524,663**	332 **19.52**
	TOTAL A		105	**4,147,004,783**	106	**85.65**	107 **4,385,002,719**	108 **92.17**
B	**RECEIVABLES**							
B.1	Amounts receivable from reinsurers net of payables, including reinsurers shares of technical reserves, duly documented, up to 90% of their amount;		109	265,000,000	110	5.47	111 135,000,000	112 2.84
B.2	Deposits and receivables net of payables c/o cedent companies duly documented, up to 90% of their amount;		113	0	114	0.00	115 0	116 0.00
B.3 .1	Amounts receivable from policyholders, net of payables, generated by direct insurance providing that they become collectable less than 3 months;		117	170,000,000	118	3.51	119 40,000,000	120 0.84
B.3 .2	Amounts receivable from brokers and agents, net of payables, generated by direct insurance and reinsurers business, providing that are collectable less than 3 months;		121	80,000,000	122	1.65	123 60,000,000	124 1.26
B.4	Receivables deriving from rescue and subrogation;	**3%**	125	0	126	0.00	127 0	128 0.00
B.5	Tax credits, definitively assessed or for which the official assessment term has elapsed;	**5%**	129	25,000,000	130	0.52	131 6,000,000	132 0.13
B.6	Amounts receivable from guarantee funds, net of payables;	**5%**	133	0	134	0.00	135 0	136 0.00
B.7	Receivables from group central treasury management	**5%**	401	0	402	0.00	403 0	404 0.00
	TOTAL B		137	**540,000,000**	138	**11.15**	139 **241,000,000**	140 **5.07**
C	**OTHER ASSETS**							
C.1	Tangible fixed assets – for the companies operational use – other than land and buildings, up to 30% of their book value;		141	0	142	0.00	143 0	144 0.00
C.2	Tangible fixed assets – not for the companies operational use – other than land and buildings, duly documented for up to 10% of their book value;		145	0	146	0.00	147 0	148 0.00
	Sub-total C.1+C.2	**5%**	149	0	150	0.00	151 0	152 0.00
C.3	Acquisition commissions to be amortised for up to 90% of their amount;		153	0	154	0.00	155 0	156 0.00
C.4	Accrued income from rents for up to 30% of their amounts;		157	0	158	0.00	159 0	160 0.00
	TOTAL C		161	**0**	162	**0.00**	163 **0**	164 **0.00**
	TOTAL B + C- B.1	**25%**	165	**275,000,000**	166	**5.68**	167 **106,000,000**	168 **2.23**
D	Bank deposits and deposits with other credit institutions or any other institution authorised by the component authorities, net of debt;	**15%**	169	160,000,000	170	3.30	171 135,000,000	172 2.84
E	Other asset categories authorised by ISVAP pursuant to art. 38, para. 4 of legs. decree 209/95		173	0	174	0.00	175 0	176 0.00
	TOTAL ASSETS COVERED		177	**4,847,004,783**	178	**100.11**	179 **4,761,002,719**	180 **100.08**
	Sub-total A.1.1b + A.1.2b + A.1.3 + A.3.1b + A.5.2a + A.5.2b	**10%**	181	125,892,436	182	2.60	183 283,482,380	184 5.96

Attachment A

By currency, commitments and assets covered

(in Euro)

CURRENCY	EXCHANGE RATE (1)	TECHNICAL RESERVES	ASSETS TO BE COVERED
European area			
EURO	1.000	4,831,143,973	4,815,376,995
Danish Crown	7.454	128,776	
Swedish Crown			
Pound Sterling	0.861	52,537	22,696,100
Cyprus Pound			
Czech Crown	25.061	710,048	
Estonian Crown			
Hungarian Florin	277.950	204,248	
Lithuanian Litas			
Latvian Lats			
Maltese Lira			
Polish Zloty	3.975	256,826	
Slovak Crown			
Norwegian Crown			
Swiss Franc	1.250	3,814,470	5,509,596
Icelandic Crown			
US Dollar	1.336	5,467,887	3,422,092
Canadian Dollar			
Other countries			
Australian Dollar			
New Zealand Dollar			
Japanese Yen			
Riyal			
Turkish Lira			
Turkish Lira			
South African Rand			
Tunisian Dinar	1.922	49,411	
Pacific Colony Franc			
Ryal Oman			
Hong Kong Dollar			
Singapore Dollar			
Arab Emirates Dirham			
Kuwait Dinar			
Qatar Ryal			
Moroccan Dirham	11.180	77,238	
Croatian Kuna			
TOTAL (2)		4,841,905,414	4,847,004,783

(1). The amounts of the technical reserves and assets covered are translated at the exchange rate at the balance sheet date compared to the currency with which the communication was made, including the assets acquired after that date.

(2). The total technical reserves corresponds to the amount at account 5 of the annual prospectus of the assets designated to cover the technical reserves. The total of the assets correspond to the account 177.

(in Euro)

TECHNICAL RESERVES		End of the year 2010	End of the previous year
Technical reserves to be covered	9	3,604,714,181	10 3,551,658,620

	ASSETS DESCRIPTION	Maximum limits	Balance at the end of the year 2010		Balance at the end of the previous year	
			Values	%	Values	%
A	**INVESTMENTS**					
A.1	***Debt securities and equivalent***					
A.1.1a	Securities - traded in regulated markets - issued or guaranteed by European Union member states or belonging to the OECD, or issued by local or public agencies of EU member states or by international organisations to which one or more EU countries belong;		13 2,322,813,991	14 64.44	15 2,070,783,502	16 58.30
A.1.1b	Securities - not traded in regulated markets - issued or guaranteed by European Union member states or belonging to the OECD, or issued by local or public agencies of EU member states or by international organisations to which one or more EU countries belong;		17 6,500,502	18 0.18	19 6,191,409	20 0.17
A.1.2a	Bonds or equivalent securities traded in regulated markets;		21 962,938,036	22 26.71	23 1,127,629,991	24 31.75
A.1.2b	Bonds or equivalent securities – not traded in regulated markets – issued by companies or banking organisations with registered offices in a European Union member state or belonging to the OECD, and with at least 3 years of annual accounts certified by duly authorised independent auditors;		25 6,356,236	26 0.18	27 11,867,368	28 0.33
A.1.3	Other bonds or equivalent securities, other than those indicated in the previous points, provided that their maturity date is within one year ;		29 0	30 0.00	31 0	32 0.00
A.1.4	Harmonised fund units;		33 13,870,000	34 0.38	35 0	36 0.00
A.1.5	Repos, with obligation to repurchase and deposit securities;	**20%**	37 0	38 0.00	39 44,733,073	40 1.26
A.1.8	Accrued interest on securities admissible for coverage on technical reserves ;		53 0	54 0.00	55 0	56 0.00
	Total A.1		57 **3,312,478,765**	58 **91.89**	59 **3,261,205,343**	60 **91.82**
	of which structured securities (a)		501 463,453,165	502 12.86	503 478,413,539	504 13.47
	of which securitisation(b)		505 0	506 0.00	507 0	508 0.00
	Total (a) + (b)		509 463,453,165	510 12.86	511 478,413,539	512 13.47
A.2	**Mortgages and interest bearing loans secured by mortgages or by banking and insurance guarantees or by other suitable guarantees issued by local bodies ;**	**20%**	61 **0**	62 **0.00**	63 **0**	64 **0.00**
A.3	***Equity securities and equivalent***					
A.3.1a	**Shares traded in a regulated market ;**		65 223,566,268	66 6.20	67 265,085,912	68 7.46
A.3.1b	Shares and units in the Bank of Italy and co-operative companies – not traded in regulated markets – issued by companies with registered offices in a European Union member state or belonging to the OECD, and with at least 3 years of annual accounts certified by duly authorised independent auditors;		69 0	70 0.00	71 0	72 0.00
A.3.3	Harmonised fund units;		77 7,838,618	78 0.22	79 0	80 0.00
A.3.4	Units in closed mutual investment funds traded in regulated markets;	**5%**	81 0	82 0.00	83 0	84 0.00
	Total A.3		85 **231,404,886**	86 **6.42**	87 **265,085,912**	88 **7.46**
A.4	***Real estate sector***					
A.4.1	Land, buildings and building rights, for the portions not mortgaged;		89 0	90 0.00	91 0	92 0.00
A.4.2	Buildings leased;	**10%**	93 0	94 0.00	95 0	96 0.00
A.4.3	Shareholdings in property companies where the company owns at least 10%, provided that the parent company of the insurance group holds directly or indirectly more than 50% of the share capital with exclusive purpose the construction or management of non-luxury residential building or industrial or commercial buildings or buildings for agricultural use. The amount corresponds to book value up to the buildings market value and in proportion to the shareholding owned, net of total liabilities shown in the accounts of the property companies concerned ;		97 0	98 0.00	99 0	100 0.00
	to carry forward		3,543,883,651	98.31	3,526,291,255	99.29

	carried forward			3,543,883,651		98.31		3,526,291,255	99.29
A.4.4	Units in closed property mutual investment funds located in EU countries.	**10%**	101	38,145,818	102	1.06	103	0	104 0.00
	Total A.4	**40%**	109	**38,145,818**	110	**1.06**	111	**0**	112 **0.00**
A.5	***Alternative investments***								
A.5.1a	Units in investment funds not as per EU Directive 611/85 that principally invests in bonds;		301	0	302	0.00	303	0	304 0.00
A.5.1b	Units in investment funds not as per EU Directive 611/85 that principally invests in equities;		305	0	306	0.00	307	0	308 0.00
A.5.2a	Investments in closed investment funds not traded on a regulated market and in reserved funds;		309	0	310	0.00	311	34,913,263	312 0.98
A.5.2b	Investments in security funds and speculative real estate funds;		313	32,906,640	314	0.91	315	0	316 0.00
	Sub-total A.5.2a+A.5.2.b	**5%**	317	**32,906,640**	318	**0.91**	319	**34,913,263**	320 **0.98**
	Total A.5	**10%**	321	**32,906,640**	322	**0.91**	323	**34,913,263**	324 **0.98**
	Sub-total A.3+A.5.1b+A.5.2a+A.5.2.b	**35%**	325	**264,311,526**	326	**7.33**	327	**299,999,175**	328 **8.45**
	TOTAL A		113	**3,614,936,109**	114	**100.28**	115	**3,561,204,518**	116 **100.27**
B	**RECEIVABLES**								
B.1	Amounts receivable from reinsurers net of payables, including reinsurers shares of technical reserves, duly documented, up to 90% of their amount;		117	0	118	0.00	119	0	120 0.00
B.2	Deposits and receivables net of payables c/o cedent companies duly documented, up to 90% of their amount;		121	0	122	0.00	123	0	124 0.00
B.3 .1	Amounts receivable from policyholders, net of payables, generated by direct insurance providing that they become collectable less than 3 months;		125	0	126	0.00	127	0	128 0.00
B.3 .2	Amounts receivable from brokers and agents, net of payables, generated by direct insurance and reinsurers business, providing that are collectable less than 3 months;		129	0	130	0.00	131	0	132 0.00
B0.4	Advance payments on policies;		133	0	134	0.00	135	0	136 0.00
B.5	Tax credits, definitively assessed or for which the official assessment term has elapsed ;	**5%**	137	0	138	0.00	139	0	140 0.00
B.6	Amounts receivable from guarantee funds, net of payables;	**5%**	141	0	142	0.00	143	0	144 0.00
B.7	Receivables from group central treasury management	**5%**	401	0	402	0.00	403	0	404 0.00
	TOTAL B		145	**0**	146	**0.00**	147	**0**	148 **0.00**
C	**OTHER ASSETS**								
C.1	Tangible fixed assets – for the companies operational use – other than land and buildings, up to 30% of their book value;		149	0	150	0.00	151	0	152 0.00
C.2	Tangible fixed assets – not for the companies operational use – other than land and buildings, duly documented for up to 10% of their book value;		153	0	154	0.00	155	0	156 0.00
	Sub-total C.1+C.2	**5%**	157	0	158	0.00	159	0	160 0.00
C.3	Acquisition commissions to be amortised for up to 90% of their amount;		161	0	162	0.00	163	1,724,294	164 0.05
C.4	Accrued income from rents for up to 30% of their amounts;		165	0	166	0.00	167	0	168 0.00
C.5	Reversible interest	**5%**	169	0	170	0.00	171	0	172 0.00
	TOTAL C		173	**0**	174	**0.00**	175	**1,724,294**	176 **0.05**
	TOTAL B + C- C.3	**25%**	177	**0**	178	**0.00**	179	**0**	180 **0.00**
D	Bank deposits and deposits with other credit institutions or any other institution authorised by the component authorities, net of debt;	**15%**	181	0	182	0.00	183	0	184 0.00
E	Other asset categories authorised by ISVAP pursuant to art. 38, para. 4 of legs. decree 209/95		185	0	186	0.00	187	0	188 0.00
	TOTAL ASSETS COVERED		189	**3,614,936,109**	190	**100.28**	191	**3,562,928,812**	192 **100.32**
	Sub-total A.1.1b + A.1.2b + A.1.3 + A.3.1b + A.5.2a + A.5.2b	**10%**	193	45,763,378	194	1.27	195	52,972,040	196 1.49

By currency, commitments and assets covered

(in Euro)

CURRENCY	EXCHANGE RATE (1)	TECHNICAL RESERVES	ASSETS TO BE COVERED
European area			
EURO	1.000	3,556,723,077	3,553,914,738
Danish Crown			
Swedish Crown			
Pound Sterling	0.861		3,820,360
Cyprus Pound			
Czech Crown			
Estonian Crown			
Hungarian Florin			
Lithuanian Litas			
Latvian Lats			
Maltese Lira			
Polish Zloty			
Slovak Crown			
Norwegian Crown	7.800		525,558
Swiss Franc	1.250	25,742,800	33,831,833
Icelandic Crown			
US Dollar	1.336	22,248,304	22,843,620
Canadian Dollar			
Other countries			
Australian Dollar			
New Zealand Dollar			
Japanese Yen			
Riyal			
Turkish Lira			
Turkish Lira			
South African Rand			
Tunisian Dinar			
Pacific Colony Franc			
Ryal Oman			
Hong Kong Dollar			
Singapore Dollar			
Arab Emirates Dirham			
Kuwait Dinar			
Qatar Ryal			
Moroccan Dirham			
Croatian Kuna			
TOTAL (2)		3,604,714,181	3,614,936,109

(1). The amounts of the technical reserves and assets covered are translated at the exchange rate at the balance sheet date compared to the currency with which the communication was made, including the assets acquired after that date.

(2). The total technical reserves corresponds to the amount at account 9 of the annual prospectus of the assets designated to cover the technical reserves. The total of the assets correspond to the account 189.

Attachment B to Model 1

Assets assigned to cover the technical reserves of contracts in accordance with art. 33, paragraph 4, of Legislative Decree March 17, 1995, No. 209

SECTION I – Single premium contracts (1)

(in Euro)

No.	Guaranteed interest rate (2)	Residual duration	Technical reserves (3)	Covering assets at close of year 2010 (4)	Covering assets at close of the previous year
5	5.2	41	36,539,693	40,380,404	37,800,991
6	5.2	40	37,850,266	41,906,283	39,425,591
7	5.2	41	1,287,865	1,367,395	1,277,298
8	5.2	32	5,338,792	5,710,640	5,409,680
9	5.2	40	7,428,698	7,885,031	7,403,218
10	3.75	39	18,664,322	19,791,660	19,713,590
		TOTAL	107,109,636 [1]	117,041,413 [2]	111,030,368 [3]

SECTION II – Immediate life annuity contracts (1)

(in Euro)

No.	Guaranteed interest rate (2)	Technical reserves (3)	Covering assets at close of year 2010 (4)	Covering assets at close of the previous year
TOTAL		0 5	0 6	0 7

GENERAL TOTAL (5)	107,109,636 8	117,041,413 9	111,030,368 10

(1). The contracts as per article 33, para. 4 of legs. decree 209/95 are considered for which the company places specific assets to cover the technical reserves limited to the period an interest rate is guaranteed above that contained, for the financial guarantee contracts, by the Regulation as per para. 1, article 33 of Leg. Decree 209/1998

(2). The contractual interest rate guaranteed by the company in accordance with para. 1, article 33 of Leg. Decree 209/05, limited to the financial guarantees related to specific assets to cover the technical reserves.

(3). The entire amount of the technical reserves related to the period during which the interest rate is guaranteed under the previous note (2) is indicated. These reserves include the amount of the account No. 9 of the Annual Schedule of assets held to cover the technical reserves.

(4). The amount of the assets, which must not be less than the technical reserves exposed which guarantee the interest rate under the previous note (2) is indicated. These assets include the amount of account No. 189 of the Annual Schedule of the assets designated to cover the technical reserves.

(5). The general total is the sum of the values indicated in the two sections.

MODEL 2

Company Milano Assicurazioni

ANNUAL SCHEDULE OF THE ASSETS DESIGNATED TO COVER THE TECHNICAL RESERVES RELATING TO CONTRACTS AS PER ART. 41, par. 1 and 2, of Leg. Decree 209/05

Year 2010

SECTION 1 – Contracts related to the value of UCITS units

(in Euro)

Order No.	NAME	At close of year 2010			At close of previous year		
		Technical reserves	Financial instruments		Technical reserves	Financial instruments	
			Quota held	value		Quota held	value
1	Lyxor Summit Guaranteed Fund	11,819,350	1,110,010	11,819,349	12,291,732	1,155,238	12,291,732
2	Lyxor Summit Guaranteed Fund (ex Dialogo Vita)	517	49	517	0	0	0
	TOTAL	11,819,867 (1)	1,110,059 (2)	11,819,866 (3)	12,291,732 (4)	1,155,238 (5)	12,291,732 (6)
	TOTAL SECTION I	11,819,867 (7)	1,110,059 (8)	11,819,866 (9)	12,291,732 (10)	1,155,238 (11)	12,291,732 (12)

SECTION II – Contracts related to the value of internal funds

(in Euro)

Order No.	Internal Fund	At close of year 2010		At close of previous year	
		Technical reserves	Financial instruments (1)	Technical reserves	Financial instruments (1)
1	Previlink equity	22,342,124	22,342,126	28,329,132	28,329,132
2	Previlink balanced	7,811,756	7,811,758	12,489,102	12,489,104
3	Previlink bond	911,295	911,295	1,392,500	1,392,502
4	Previlink monetary	809,851	809,850	1,023,863	1,023,863
	TOTAL	31,875,026 13	31,875,029 14	43,234,597 15	43,234,601 16
	TOTAL SECTION II:	31,875,026 17	31,875,029 18	43,234,597 19	43,234,601 20

SECTION III – Contracts related to equity indices or other benchmarks

(in Euro)

Order No.	Internal Fund	At close of year 2010		At close of previous year	
		Technical reserves	Financial instruments (1)	Technical reserves	Financial instruments (1)
43	Mi-III/43 -3 più 3	0	0	6,343,635	6,343,636
44	Mi-III/44-Cambio	0	0	10,116,472	10,116,473
45	Mi-III/45-Indici3	0	0	1,527,527	1,527,529
46	Mi-III/46-Podium	0	0	10,962,293	10,962,292
47	Mi-III/47 -China	12,443,261	12,443,261	12,068,372	12,068,367
48	Mi-III/48-All Star	5,572,755	5,572,755	4,996,495	4,996,493
50	Mi-III/50-Paesi Emergenti	7,598,242	7,598,242	7,899,562	7,899,562
51	Mi-III/51-Match Race	14,032,052	14,032,053	13,496,952	13,496,952
52	Mi-III/52-Global Race	11,547,483	11,547,481	11,515,187	11,515,831
53	Mi-III/53-Gran Prix	11,143,939	11,143,937	11,463,111	11,463,109
54	Mi-III/54-World Cup	13,714,151	13,714,152	12,866,183	12,866,181
55	Mi-III/55-World Cup 2	12,535,111	12,535,111	13,240,403	13,240,401
59	Mi-III/59-Opzione 3	0	0	2,140,871	2,140,872
60	Mi-III/60-Memory 2004	0	0	5,757,802	5,757,803
61	Mi-III/61-Exchange	5,670,241	5,670,241	5,777,531	5,777,531
62	Mi-III/62-Quota 8	6,465,912	6,465,912	6,653,300	6,653,300
63	Mi-III/63-Basket 15	4,170,067	4,170,067	4,186,897	4,186,897
64	Mi-III/64-Metal & Oil	10,950	10,950	17,550	17,550
65	Mi-III/65-Dodici Più	6,221,003	6,221,002	6,229,299	6,229,299
66	Mi-III/66-Multiasset	5,134,713	5,134,713	4,949,181	4,949,182
67	Mi-III/67-Top Equity	6,878,509	6,878,509	6,645,431	6,645,431
68	Mi-III/68-Challenge	7,259,478	7,259,478	6,824,690	6,824,691
69	Mi-III/69-Eurotop	9,306,894	9,306,895	9,201,672	9,201,672
70	Mi-III/70-Eurotopplus	11,869,849	11,869,850	12,662,678	12,662,680
71	Mi-III/71-Best Coupon	8,724,507	8,724,507	8,733,981	8,733,981
72	Mi-III/72-Memory	13,227,774	13,227,774	13,685,924	13,685,924
73	Mi-III/73-Valore Sicuro	3,170,343	3,170,342	3,173,551	3,173,551
74	Mi-III/74-Paracadute	5,651,148	5,651,148	5,528,674	5,528,673
	TOTAL	182,348,382 21	182,348,380 22	218,665,224 23	218,665,863 24
	TOTAL SECTION III	182,348,382 25	182,348,380 26	218,665,224 27	218,665,863 28
	GENERAL TOTAL (2)	226,043,275 29	226,043,275 30	274,191,553 31	274,192,196 32

(1) Indicate total amount of the assets under management

(2) The general total is the sum of the values indicated in the three sections.

MODEL 3

Company Milano Assicurazioni

DEMONSTRATIVE SCHEDULE OF THE INVESTMENTS DERIVING FROM THE MANAGEMENT OF PENSION FUNDS RELATING TO CLASS "D.II" OF THE BALANCE SHEET

Year 2010

SECTION I - Open Pension Funds

(in Euro)

Order No. of fund	Name of fund	Investment Line (1)	(2).	At close of year 2010		At close of previous year	
				Reserves	Investments (3)	Reserves	Investments (3)
1	Fondo Pensione Aperto Milano A	MILANO BOND TECNICO	1	4,067,316	4,067,323	2,644,001	2,644,002
1	Fondo Pensione Aperto Milano A	MILANO EUROPA TECNICO	2	1,465,733	1,465,733	1,009,081	1,009,082
1	Fondo Pensione Aperto Milano A	MILANO GLOBAL TECNICO	4	1,594,093	1,594,096	978,271	978,274
1	Fondo Pensione Aperto Milano A	MILANO MIX TECNICO	5	1,820,561	1,820,560	1,480,045	1,480,046
1	Fondo Pensione Aperto Milano A	MILANO GEST TECNICO	3	3,569,212	3,569,215	2,406,832	2,406,835
1	Fondo Pensione Aperto Milano A	MILANO PREMIUM-TFR	6	1,389,500	1,389,500	638,946	638,949
		TOTAL		1 13,906,415	2 13,906,427	3 9,157,176	4 9,157,188
		TOTAL SETION I		5 13,906,415	6 13,906,427	7 9,157,176	8 9,157,188

SECTION II - Closed pension funds

(in Euro)

Order No. of fund	Name of fund	Investment Line (1)	(2).	At close of year 2010		At close of previous year	
				Reserves	Investments (3)	Reserves	Investments (3)

TOTAL	0 9	0 10	0 11	0 12
TOTAL SECTION II	0 13	0 14	0 15	0 16
GENERAL TOTAL (4)	13,906,415 17	13,906,427 18	9,157,176 19	9,157,188 20

(1) The amount of the reserves and the corresponding assets relating to each investment line must be specified within each fund.

(2) Show the number of the order attributed to each investment line within each fund (to be maintained in subsequent communications).

(3) The investments must be shown net of the liabilities relating to the fund

(4) The general total is the sum of the values indicated in the two sections.

Reconciliation of the theoretical tax charge and the actual tax charge		
IRES income taxes		
Loss before taxes	-604,438	
Theoretical tax charge (27.50%)		**-166,220**
Temporary differences deductible in future years (a)	161,368	
Temporary differences assessable in future years (b)	0	
Reversal of temporary differences from previous years (c)	-39,483	
Non-reversing differences in future years (d)	361,691	
Other differences	-5,130	
Assessable income	-125,992	
Current IRES		**-34,648**
Regional taxes		
Result of the technical accounts non-life and life	-370,182	
Theoretical tax charge (4.82%)		**-17,843**
Temporary differences deductible in future years (a)	0	
Temporary differences assessable in future years (b)	0	
Reversal of temporary differences from previous years (c)	-32,044	
Non-reversing differences in future years (d)	156,018	
Assessable IRAP	-246,208	
Current IRAP		**0**

(*) amount of deferred tax assets recorded

Recording of deferred tax assets and liabilities and consequent effects:

(In Euro thousands)

Deferred tax asset:	31/12/10 Amount of temporary differences	31/12/10 Tax Rate	31/12/10 Deferred tax asset/ liabilities	31/12/09 Amount of temporary differences	31/12/09 Tax Rate	31/12/09 Deferred tax asset/ liabilities
Provisions for risks and charges	78,961	27.50%	21,714	59,075	27.50%	16,246
Doubtful debt provision	36,460	27.50%	10,027	36,450	27.50%	10,024
Write down of equity investments	77,012	27.64%	21,287	86,372	27.50%	23,752
Write down of receivables	367,087	28.01%	102,805	321,993	28.42%	91,517
Change in claims reserve	171,092	28.45%	48,676	118,927	29.32%	34,873
Commission on long-term contracts		32.32%			32.32%	
Write-down of buildings	24,421	27.50%	6,716	14,897	27.50%	4,097
Goodwill amortisation	5,168	32.32%	1,670	7,700	32.32%	2,489
Tax loss Milano Assicurazioni	125,993	27.50%	34,648			
Tax loss of companies adhering to the tax consolidation	80,771	27.50%	22,212			
Other	(3,669)	27.35%	(1,003)	1,662	27.82%	462
Total	**963,296**		**268,752**	**647,076**		**183,459**
Deferred tax liability:						
Gains on non-current securities	(2,449)	27.50%	(673)	(4,423)	27.50%	(1,216)
Gains on residential buildings						
Gains on buildings used in activities	(10,094)	31.59%	(3,189)	(12,567)	31.74%	(3,988)
Write back of equity investments	(10,812)	27.50%	(2,973)	(10,812)	27.50%	(2,973)
Depreciation buildings	(27,086)	30.49%	(8,257)	(27,265)	30.89%	(8,423)
Goodwill amortisation						
Other	(158)	32.32%	(51)	(158)	32.32%	(51)
Total	**(50,599)**		**(15,144)**	**(55,225)**		**(16,652)**

Temporary differences deductible excluded from determination of deferred tax asset	31/12/10	31/12/09
Provisions for uncertain deductibility	94,158	66,151
Total	**94,158**	**66,151**

Temporary differences assessable excluded from determination of deferred tax liability	31/12/10	31/12/09
Reserve for suspension of taxes	4,788	4,788
Total	**4,788**	**4,788**

Analysis of net equity in accordance with Article 2427, number 7 bis of the Civil Code

Nature/description	Amount	Possibility of utilisation	Quota available
	(in thousands of Euro)		
Share Capital	305,851		
Reserves			
Share premium reserve	718,147	A,B,C	708,656
Revaluation reserve	1,277	A,B,C	1,277
Reserve for transfer of assets from class C to class D	14	-	-
Merger reserve	350,832	A,B,C	350,832
Legal reserve	51,680	B	-
Other reserves	4,260	B	-
Extraordinary reserve	267,511	A,B,C	267,511
Treasury shares reserves	8,081	-	-
Treasury shares or quotas in holding companies	199,288	-	-
Reserve for purchase of treasury shares	12,500	A,B,C	12,500
Reserve for purchase of holding company's shares	4,500	A,B,C	4,500
Reserve for shares subscribed	-	-	-
Retained earnings	-	A,B,C	0
Total	1,923,941		1,345,276
Non-distributable quota			1,060
Quota distributable			1,344,216

Key:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders

CONDENSED BALANCE SHEET

(Euro thousands) ASSETS	31/12/2009 statutory
Intangible assets	221,917
Investments	16,099,321
Receivables	1,976,314
Other assets	752,933
TOTAL ASSETS	19,050,485

(Euro thousands) LIABILITIES	31/12/2009 statutory
Net equity	2,526,282
Sub-ordinated liabilities	900,000
Technical reserves	13,781,261
Provisions for risks and charges	327,806
Deposits received from reinsurers	149,647
Payables and other liabilities	1,365,489
TOTAL LIABILITIES	19,050,485

CONDENSED INCOME STATEMENT

(Euro thousands)	31/12/2009 statutory
Result of non-life technical account	-171,952
Result of life technical account	145,381
Net investment income (*)	55,746
Quota of investment income transferred to the life technical account	53,902
Other income and charges	-82,424
RESULT FROM ORDINARY ACTIVITY	653
Extraordinary income	143,331
Extraordinary charges	-107,867
RESULT FROM EXTRAORDINARY ACTIVITY	35,464
PROFIT BEFORE TAXES	36,117
Income taxes	4,099
NET PROFIT	40,216

(*) relating to the statutory accounts this refers to only income of the non-life classes less the quota transferre to the technical account.

Declaration of the financial statements

in accordance with article 81 ter of the Consob Resolution No. 11971 of May 14, 1999 and successive modifications and integrations

1. The undersigned Emanuele Erbetta (as Chief Executive Officer of Milano Assicurazioni) and Pier Giorgio Bedogni (as Executive responsible for the preparation of the corporate accounting documents of Milano Assicurazioni) affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:
   - the accuracy of the information on company operations and
   - the effective application of the administrative and accounting procedures for the compilation of the financial statements for the period January 1, 2010 – December 31, 2010.

2. The valuation of the adequacy of the accounting and administrative procedures for the preparation of the financial statements at December 31, 2010 is based on a Model defined by Milano Assicurazioni in accordance with the "Internal Control – Integrated Framework" and "Cobit" which represent benchmarks for internal control systems generally accepted at international level.

3. It is also declared that:

3.1. The Financial statements as at 31/12/2010:
   a) corresponds to the underlying accounting documents and records;
   b) were prepared in conformity with law, making reference to the principles issued by the Italian Accounting Board for interpretative purposes and provide a true and correct representation of the economic, balance sheet and financial situation of the issuer.

3.2. The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer together with a description of the principal risks and uncertainties to which they are exposed.

Milan, March 22, 2011

Emanuele Erbetta
(Chief Executive Officer)

Pier Giorgio Bedogni
(Executive responsible for the preparation
of corporate accounting documents)

Board of Statutory Auditors' Report

MILANO ASSICURAZIONI S.p.A.

Registered Offices in Milan - Via Senigallia 18/2

Share Capital Euro 305,851,341.12 fully paid-in

Milan Company's Registration Office

and Tax Number 00957670151

Fondiaria-SAI Group

Management and Direction of Fondiaria-SAI S.p.A.

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REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING ON THE ACTIVITIES UNDERTAKEN IN THE FINANCIAL YEAR OF 2010

Dear Shareholders,

in 2010 we verified, in accordance with Articles 149 and 150 of Legislative Decree No. 58 of February 24, 1998, ISVAP Regulation No. 20 of March 26, 2008, in addition to the indications contained in Consob communication DEM/1025564 of April 6, 2001, compliance with Law and the By-Laws, the principles of correct administration, the adequacy of the organisational structure of the company as within our remit, the internal control system and the administrative-accounting system, and its ability to correctly represent the operational events and the implementation of the corporate governance regulations established by conduct codes drawn up by regulated market management companies and on the adequacy of the provisions imposed on subsidiaries in accordance with Article 114, paragraph 2 of the CFA.

In addition Article 19 of Legislative Decree No. 39 of January 27, 2010 introduced significant amendments to the functions of the Board, establishing the creation, in public interest bodies – including insurance companies in accordance with Article 16 of the above-stated decree – of *the Internal Control and Audit Committee* which, according to that provisioned by paragraph 2 of the same article "… *correlates to the Board of Statutory*

Auditors"; the Board of Statutory Auditors therefore, in accordance with the above-stated Article 19, first paragraph, supervised:

a) the financial disclosure process;
b) the efficacy of the internal control, internal audit and risk management systems;
c) the audit of the statutory annual accounts and of the consolidated annual accounts;
d) the independence of the auditors or the audit firm, in particular in relation to the provision of non audit services to the entity subject to audit.

The Board received from the audit firm the report as per Article 19, paragraph 3 of Legislative Decree 39/2010 and the annual verification of independence as per Article 17, paragraph 9, letter a); the Board also verified the publication by the firm on its internet site of the annual transparency report, in accordance with Article 18 of the above stated decree.

In relation to the activities we hereby fulfil in accordance with article 153 of Legislative Decree No. 58 of February 24, 1998 the obligation of the Board of Statutory Auditors to report to the shareholders' meeting, called for the approval of the financial statements, on the supervisory activities carried out, on the omissions or significant censurable facts, as well as the establishing of the faculty to make proposals in relation to the financial statements, their approval and related matters.

During the year 2010, the Board of Statutory Auditors attended the meetings of the Board of Directors and the Shareholders' Meetings and observed compliance with law and the company by-laws, including the correct exercise of the powers conferred to the Directors.

The Board of Directors met 14 times to discuss the activities undertaken and to approve resolutions; the Executive Committee met once.

In particular, during the meetings, the Board of Directors were informed by the Executive Bodies periodically and in a timely manner on the management activities and on the principal ordinary and extraordinary matters, also in relation to the subsidiary companies, which permitted us to verify that the management was undertaken in accordance with the corporate objects; in particular the formulation of the decision making process adopted by the Board of Directors appears to us to ensure the provision of adequate information.

The Board of Statutory Auditors met 13 times in the undertaking of its periodic verifications, in which it exchanged information with senior management and with the

external auditors (pursuant to article 150, third paragraph, of Legislative Decree 58/98). No significant matters arose on the operations or on matters relating to conflicts of interest.

We have maintained constant and sufficient communication with the Internal Audit department and obtained information from the Risk Management and Compliance departments.

We consider that the Internal Audit, Risk Management and Compliance departments fulfil the capacity, autonomy and independence requirements and, together with the other boards and departments which are attributed duties of control, collaborate in the exchange of information useful for the carrying out of their respective duties.

We also exchanged information with the Board of Statutory Auditors of the principal subsidiary companies, pursuant to article 151 of the Consolidated Finance Act, the Civil Code and ISVAP Regulation No. 20 of March 26, 2008 and with the Board of Statutory Auditors of the parent company Fondiaria-SAI S.p.A.

The activities undertaken verified the adequacy and reliability of the organisational structure of the Company, as well as of the administrative-accounting system and the compliance with current administrative principles.

The financial statements for the year ended December 31, 2010 were audited by Deloitte & Touche S.p.A., which issued its auditors' report in accordance with Article 14 of Leg. Decree 39/2010 on April 5, 2011 without any exceptions or significant issues to report.

In relation to the accounting principles utilised for the preparation of the financial statements, reference should be made to the auditors' report prepared pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010 and Article 102 of Legislative Decree No. 209 of November 7, 2005.

We also inform report that:

Atypical or unusual transactions

- the transactions undertaken by the Company are, in our opinion, in compliance with law and the company by-laws and were not imprudent, risk related, in potential conflict of interest, contrary to the resolutions made by the Shareholders' Meeting or such as to compromise the integrity of the company assets;
- the company did not undertake, to our knowledge, any atypical or unusual operations with companies of the Group, related parties or third parties.

Transactions with related parties

- the Company complied with, in the identification of related parties, the indications contained in Accounting Standard IAS 24, in addition to the "Transactions with related parties regulation" adopted by Consob resolution No. 17221 of March 12, 2010 and subsequent modifications and supplementations, also through the approval by the Board of Directors at the meeting of November 30, 2010, of the "Conduct principles for significant transactions and procedures for related party transactions" document, in addition also to the "Guidelines for transactions with related parties" document in accordance with Isvap Regulation No. 25 of May 27, 2008;
- in relation to the Board of Directors' meetings in which inter-group and related party transactions are dealt with, the resolutions were taken in accordance with that established by the procedure, also in relation to the completeness and availability of information;
- the transactions undertaken with companies of the Fondiaria-SAI group and with other related parties are operations of a commercial, financial, real estate and insurance nature, carried out in line with the procedures adopted by the Board of Directors and in relation to which we verified the appropriateness and the effective interest of the company;
- the Directors have provided detailed information of these operations in the Directors' Report;

- in particular, the account "land and buildings" includes:
  - Euro 102.5 million of payments on account in previous years to the Company "Avvenimenti e Sviluppo Alberghiero S.r.l.", in addition to a small amount paid to non-related parties, in relation to the execution of the real estate contracts on the building areas at Via Fiorentini, Rome.

    We recall that this operation, undertaken in 2003, included the sale to "Avvenimenti e Sviluppo Alberghiero S.r.l." of a site and the purchase of the completed real estate complex still under construction on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009.
  - Euro 52.1 million of payments on account, of which Euro 11.1 million relating to the current year, to "IM.CO. S.p.A." in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola).

    In relation to this operation, in the first months of 2011, the parties reached an agreement concerning the review of the initial project, amending the architectural characteristics of the building, resulting in a price increase of Euro 5.4 million, with the total cost of the building therefore reaching Euro 99.1 million, as described in detail in the annual accounts documentation.

    As IM.CO. S.p.A. is a related party of the Company, the operation was treated under the procedures relating to transactions with related parties.
- the Directors' Report illustrates the transactions undertaken with group companies and other related parties;
- we have not noted the existence of atypical and/or unusual operations with related parties and having a significant impact on the economic, equity and financial position of the Company.

Management and coordination activities

- the Company is subject to the direction and control of Fondiaria-SAI S.p.A. in accordance with Article 2497 and subsequent of the Civil Code; it is therefore subject to the rules of conduct implemented by the parent company Fondiaria-SAI S.p.A. for the subsidiary companies, in order to ensure compliance with the management and coordination of the

Group companies, as well as to guarantee the transparency obligations and those for reporting to the market required by listed issuers are complied with.

These rules of conduct provide, among others, specific resolutions of the Board of Directors and of the Executive Committee of Fondiaria-SAI S.p.A. on some operations relating to your Company, considered significant based on the nature of the operation or the amount.

Pursuant to article 2497, paragraph 4, the Notes to the financial statements include a summary of the results from the last financial statements of the parent company Fondiaria-SAI S.p.A.

- as indicated, the Board of Directors adopted the relevant Guidelines for inter-group operations.

Other significant operations

- the Board of Directors, in the Directors' Report, provided detailed information on the most significant operations in the year 2010 which we summarise below:
  - Sasa – Liguria: this project, extensively set out in the 2010 Directors' Report, provided in particular for the creation of a single insurance entity, legally separate, which regroups the agency networks which primarily focus on a multi-mandate offer, to be created through the conferment in kind to the subsidiaries Liguria Assicurazioni and Liguria Vita of the business units of Milano Assicurazioni which concern the agency networks distributing the brand products respectively of Sasa and Sasa Vita, with transfer of the relative insurance portfolios and share capital increases for Liguria Assicurazioni and Liguria Vita respectively to service the conferment; during the year negotiations commenced with regard to the sale of the combined entity. The proposals received in this regard were not considered adequate and after considered evaluation of a separate strengthening project of the various entities with consequent postponement of any strategic decision, on February 18, 2011 Milano Assicurazioni, Liguria Assicurazioni and Liguria Vita communicated to Isvap the revocation of the authorisation to transfer the insurance portfolio Sasa and Sasa Vita from Milano Assicurazioni to Liguria Assicurazioni and Liguria Vita.

- Liguria Assicurazioni Price Adjustment : the acquisition contract of Liguria Assicurazioni S.p.A. by Fondiaria-SAI establishes price adjustment procedures following the verification of the adequacy of the claims and premium reserves of Liguria Assicurazioni reported in the 2005 financial statements; Milano Assicurazioni, following the conferment of the investment in Liguria Assicurazioni by Fondiaria-SAI sub-entered in the receivable/payable transactions which would be generated by Fondiaria-SAI with the selling party.

  After extensive appraisal, the parties considered it appropriate to agree to a settlement, described in detail in the annual accounts, covering all outstanding issues relating to the sale/purchase contract.

  The amount was recorded by Milano Assicurazioni as a reduction in the carrying value of the investment.
- Conferment to the Rho Fund: On March 22, 2010 the deed recognising fulfilment of the mandatory conditions for contribution to the Rho Property Fund of a building in Trieste was signed, following which Milano Assicurazioni subscribed to 195 units of the Fund, for a total value of Euro 4,875 thousand, corresponding to the value of the building transferred (Euro 10,170 thousand), net of the financial debt (Euro 5,339 thousand) and taking account of the cash amount paid to the fund (Euro 44 thousand).
- Merger by incorporation of wholly owned companies: On April 19, 2010 the merger by incorporation of Meridiano Orizzonti S.r.l. into Milano Assicurazioni was signed; the merger project was approved by the Shareholders' Meeting of Meridiano Orizzonti on October 13, 2009 as part of the corporate restructuring process of the Fondiaria-SAI Group.

  With effect from December 29, 2010, the merger by incorporation took place of the company Dialogo Vita Compagnia di Assicurazioni S.p.A. into Milano Assicurazioni;
- Sale of the investment held in the company Bipiemme Vita: on June 17, 2010, Milano Assicurazioni transferred to Banco Popolare di Milano the entire holding in Bipiemme Vita S.p.A. comprising 51% of the share capital for a consideration of Euro 122.1 million, deducting the dividend paid in the intervening period by Milano Assicurazioni of Euro 8.67 million.

Subsequent events after the year-end

- in relation to the significant events after the year-end, we highlight in January the approval by the Board of Directors of the 2011 Budget; the budget considers, on the one hand, the altered market conditions than those forming the basis of the 2009-2011 Fondiaria-SAI Group industrial plan, and on the other, the recent initiatives taken to improve industrial profitability, however within a still volatile economic environment.

  In particular, the expected effects include a significant improvement in the Combined Ratio of the Non-Life Division, a satisfying result for the Life Segment and consequently a return to net profit;
- the company was subject to tax audits, which have concluded for the year 2005 and are in progress for the years 2006, 2007 and 2008; the provisions were made considering the totality of recharges and the partial non-sharing of the company, based also on tax and legal opinions.

Instructions to the subsidiaries

- the instruction of the Company to the subsidiaries, in accordance with article 114, second paragraph of the CFA were considered adequate.

IT-Accounting system

- the accounting and administrative system was adequate, reliable and appropriate to represent the economic, equity and financial situation necessary for a correct management, also in view of the information obtained from the Executive Responsible and from various senior management.

Internal Control System

- the internal control system, constantly being updated, is structured and coordinated at Group level, and also subject to ongoing analysis by the Company, the Internal Control Committee and the Board of Statutory Auditors, in order to improve and increase the efficacy of controls;
- our valuation regarding the adequacy of the internal control system is positive, which verified that the internal procedures were respected, both operating and administrative, and a correct and efficient management was adopted in order to safeguard the assets of the

company, as well as the identification, the prevention and the management of risks of a financial and operating nature and any possible fraud.

- the Internal Control Committee met 14 times for the undertaking of its duties attributed by the Board; the Board of Statutory Auditors actively participated at all meetings.

The Audit Department.

The Internal Audit Department monitors and evaluates the efficacy and efficiency of the internal control system and the amendments required; activities are based on an annual plan approved by the Board of Directors and which the Board of Statutory Auditors also approved, through the review of cycles and corporate processes and controlling the correct application of procedures; the Internal Audit Department also carried out controls relating to compliance with the regulatory provisions issued by Isvap concerning the Department itself.

Compliance Department

- the Compliance Department, created in accordance with ISVAP Regulation No. 20 of March 26, 2008, operated in the areas identified by the work programme and reported to the Board of Directors and on an ongoing basis to the Board of Statutory Auditors.

  In particular in 2010, the department actively participated in workgroups and intercompany roundtable studies promoted by ANIA/IRSA in order to implement a standardised application of regulatory requirements within the insurance Company.

  The Compliance and Coordination Committee continued its coordination of the work of the governance control departments within the company.
- in 2010, community and training initiatives were implemented, as well as analysis and intervention within the planned sectors (non-life and life product development, the issue of life and non-life contracts, the payment of Motor TPL claims) and analysis and intervention in sectors/processes under development (reinsurance, outsourcing, anti-money laundering with particular reference to client verification, claims management and Isvap regulation activities);
- the activity plan for 2011, presented by the Board of Directors and the Board, includes the continuation of the actions in course, the verification of the results of the actions

undertaken and a particular attention to be focused on the regulatory developments related to the entry into force of Solvency II.

Management model Law 262/05

- the Board of Directors has updated the management model in accordance with Law 262/05 and has introduced to the organisational structure, among others, the Executive Responsible for the preparation of the accounting and corporate documents; the model, approved in 2007, was updated in line with the regulatory amendments and the new corporate organisational structure;
- the declarations on the separate and consolidated financial statements were issued by the Executive Responsible and by the appointed corporate board in accordance with Article 154 *bis* of the CFA, in accordance with Article 81 *ter* of CONSOB Regulation No. 11971 of May 14, 1999 and subsequent amendments;
- for the issue of the declarations, an analysis method based on generally accepted international standards was drawn up; administrative and accounting processes and procedures which overall relate to approx. 96% of the assets and liabilities of the Milano Assicurazioni Group were analysed.

Legislative Decree No. 231 of June 8, 2001

- the Company has implemented an organisational model so as to prevent the committal of offences in contravention of Leg. Decree No. 231 of June 8, 2001 and has also adopted an Ethical Code; these documents establish that in the undertaking of its activities, the company believes fully in the criteria of transparency and correctness, in compliance with law and in the interests of all stakeholders.
- the organisational, management and control model was reviewed to include the new offences established by relevant regulations;
- the Board of Statutory Auditors met with the Supervisory Board, incorporated in accordance with the above stated law, which did not note any violations, nor did the Board report any issues.

Anti money laundering regulation

- the Company fulfilled the obligations established by Legislative Decree 231 of 21/09/2007 (“Enactment of 2005/60/EC directive relating to the prevention of the use of the financial

system for the laundering of proceeds from criminal activity and the financing of terrorism in addition to Directive 2006/70/EC which enacts the subsequent modifications and supplementations") and by the related anti-money laundering provisions; in this regard we ascertained, collaborating also with the Internal Audit and Compliance Departments, also through periodic meetings with the relative company departments, the substantial adequacy of a) training activities in relation to anti-money laundering and terrorism financing, b) compliance procedures required by Legislative Decree 231/2007 and c) the identification of suspect transactions.

Risk management

- on December 17, 2009, the text of the Directive 2009/138/EC in relation to the access and exercise of insurance and reinsurance activities was published in the Official Gazette of the European Union (better known as the "Solvency II" directive); in establishing the new solvency regime greater attention was focused on the quality of risk management, the solidity of internal controls and the communication to the market and the Supervisory Authorities.

  The new solvency requirements (Solvency Capital Requirements SCR), relates to the capital which a company must hold in order to avoid the possibility of collapse and is calculated based on a standard formula; the directive also establishes the possibility for a company to utilise, with prior authorisation from Isvap, an internal model for the calculation of the SCR more in line with the risk profile of the individual company, whose implementation requires however a series of preparatory steps, both formal and analytic, adapting the procedures and simulation of results (the so-called pre-application phase).

  On July 14, 2010, with prior communication to the Directors and Statutory Auditors, a new informal pre-application process with the objective of approval of the internal model by Isvap was approved.
- the analysis carried out by the Risk Management department verified the solidity of the Company also in conditions of market turbulence; although simulating particularly negative events, the solvency margin would remain at prudent levels. .

Self-Governance and Corporate Governance Code

- the Company also complied with the Self-Governance Code of the Committee for the Corporate Governance of listed companies;
- a nominations committee or a remuneration committee were not set up, as described in the "Corporate Governance" report approved by the Board of Directors.
- an adequate number of independent directors - considering the composition of the Board - are present.

Other information

- the disclosures as per article 149 of the Consob Issuers' Regulation are shown under "Other information" of the Directors' Report which illustrates the information on the assignments conferred to the Audit Firm; for 2010 no further offices were conferred other than those indicated in the relevant point.

  In addition, for the year 2010, there were no other assignments appointed to parties related to the network of the audit firm.

Opinions issued by the Board of Statutory Auditors

- during the year, the Board of Statutory Auditors provided the following favourable opinions:
  - the approval of the 2011 Work Plan of the Internal Audit Department;
  - the approval of the report of the investment sections of the Open Pension Fund "MILANO ASSICURAZIONI" together with the management report, prepared in conformity with the resolution of the Supervisory Commission on pension funds of June 17, 1998 and subsequent amendments;
  - the remuneration of the Directors with specific offices, pursuant to Article 2389, third paragraph, of the civil code.
- on the calling of the Shareholders' Meeting of April 22, 2010 for the following resolutions, the Board of Statutory Auditors provided the following favourable opinions:
  - the purchase up to 5 million ordinary treasury shares and/or saving shares of a nominal value of Euro 0.52 each, however within a maximum amount of Euro 12.5 million, within the limits of Article 2357-ter of the civil code, as described in greater detail in the opinion made available for Shareholders;

- the purchase up to 250,000 ordinary shares and/or saving shares of a nominal value of Euro 0.52 each of the direct Parent Company Fondiaria-SAI S.p.A., however within a maximum amount of Euro 3,750,000, within the limits of Article 2359-bis of the civil code, as described in greater detail in the opinion made available for Shareholders;
- the purchase up to 500,000 ordinary shares of a nominal value of Euro 1 each of the indirect Parent Company Premafin Finanziaria S.p.A., however within a maximum amount of Euro 750,000, within the limits of article 2359-bis of the civil code, as described in greater detail in the opinion made available for Shareholders.

Other communications of the Board of Statutory Auditors

The Board also:

- announces no claims or petitions were received as per article 2408 of the Civil Code;
- did not note any censorable, omissions or irregularities to report to the Shareholders' Meeting;
- reviewed the quarterly reports on claims, the periodic reports on activities and the audit plan for 2011 of the Internal Audit department, formulating from time to time proposals and suggestions; in this regard it is not considered necessary to formulate specific observations in the present report.
- verified the independence in accordance with article 147 ter, fourth paragraph of the CFA and the correct application of the assessment criteria adopted by the Board of Directors to evaluate the independence of its members, in accordance with point 3.C.5 of the Self-Governance Code;
- verified the independence of each standing member of the Board, in line with that established by the Civil Code, by the Consolidated Finance Act and the Self-Governance Code;
- reports that the Company prepared the Security Programming Document in compliance with the provisions of article 34 of Legislative Decree 196 of June 30, 2003;

- noted, in relation to ISVAP measure No. 893/G of June 18, 1998, in relation to the classification and valuation of the securities portfolio, that the assignment of the securities to the non-current investment segment at December 31, 2010 and the operations on these securities were made in accordance with the guidelines established by the Board of Directors of the Company;
- verified, in addition, compliance with the provisions contained in ISVAP circular No. 176 of April 27, 1992 in relation to the control of the activities to cover the technical reserves, their full availability and the absence of restrictions on these assets;
- verified that the operations on derivative financial instruments undertaken by the company during 2010 were in accordance with the deliberations made by the Board of Directors of the company and they were regularly communicated to ISVAP;
- verified that the actuarial reserves and the other non-life technical reserves are calculated based on appropriate actuarial assumptions, as established by the actuarial reports specifically commissioned in accordance with article 32 of Legislative Decree 209/05;
- constantly ensured the existence of an available solvency margin exceeding the minimum required and on the availability of sufficient assets to cover the technical reserves.

Financial Statements at December 31, 2010

Information

- with reference to ensuring the proper implementation of accounting procedures and the correct recording of the events in the accounting documents, as well as the verification of the correspondence between the information in the annual accounts and the underlying accounting records and documents and conformity of the individual financial statements with law, we state that these duties have been conferred to the Independent Audit Company; for our part, we have supervised the general format of the annual accounts under examination;
- the Directors' Report provides exhaustive information on the operational activities and development of the Company, of the strategies and of the inter-group transactions; their examination established the correspondence of the content with the annual accounts data, as established also by the Independent Auditor's Report of Deloitte & Touche S.p.A. on April 5, 2011.

  This contains an indication of the principal risks to which the Company is exposed and indication of the elements which may affect the performance of the company.
- the notes to the financial statements, in addition, illustrate the accounting principles adopted, which are adequate in relation to the activities and the operations undertaken and the other information required by law, including those relating to derivative financial instruments.

  We believe therefore that this information and the present document presented to you fulfils the requirement to supply correct and exhaustive information on the financial instruments and on the specific valuation aspects, as outlined in the Bank of Italy/Consob/Isvap Document No.4 of March 3, 2010.

Accounting principles

- the Board has adequately illustrated the individual accounts in the financial statements, the changes compared to the previous year and the reasons behind such, as well as the valuation criteria and the accounting principles adopted, which are in line with the legal provisions and take account of the documents issued by the Italian Accounting Profession;

- the book value of investments recorded under non-current assets corresponds to the valuations carried out by independent experts.

Accounting data

- the Board, without replacing the activities of the independent audit company, reviewed the general preparation of the parent company financial statements, excluding each and every analytical control on its content, and verified the observance with regulatory procedures regarding the formation of the financial statements; the Board evaluated the adequacy of the information provided in the Directors' Report, as well as with reference to the operations with subsidiary companies, with other Group companies and with related parties; the board believes that this information, together with that provided in the Notes, provides a fair representation on the qualitative and quantitative characteristics of the operations carried out in the year;
- the financial statements as at December 31, 2010 report a **loss of Euro 512,679,407.27** and were prepared in accordance with the provisions of law regarding the insurance sector and the company by-laws.

Based on the controls carried out directly and on the information exchanged with the independent audit company and taking account of the report issued by the company, which expressed an opinion without reservation on the financial statements, we have no objections in approving the financial statements at December 31, 2010.

We also express a favourable opinion on the proposal to cover the loss as follows:

	Vita	Danni	Totale
Perdita di esercizio	**(62.235.381,14)**	**(450.444.026,13)**	**(512.679.407,27)**
Utilizzo della riserva straordinaria dei rami vita a copertura parziale della perdita dei rami vita	62.027.816,37		62.027.816,37
Utilizzo della riserva di rivalutazione ex L. 72/1983 a copertura della perdita residua dei rami vita	207.564,77		207.564,77
Utilizzo della riserva straordinaria dei rami danni a copertura parziale della perdita dei rami danni		85.290.105,55	85.290.105,55
Utilizzo delle seguenti riserve di fusione dei rami danni a copertura parziale della perdita dei rami danni:			
Riserva da fusione Previdente Vita		63.816.906,45	63.816.906,45
Riserva da fusione Immobiliare Lira		2.687.077,44	2.687.077,44
Riserva da fusione Italia Assicurazioni		21.872.607,90	21.872.607,90
Riserva da fusione Nuova Maa		152.886.512,75	152.886.512,75
Riserva da fusione Sasa		71.889.105,00	71.889.105,00
Riserva da fusione Meridiano Eur		7.070.026,60	7.070.026,60
Riserva da fusione Meridiano Orizzonti		4.696.862,81	4.696.862,81
Utilizzo della riserva di rivalutazione ex L. 342/2000 a copertura parziale della perdita dei rami danni		1.068.983,36	1.068.983,36
Utilizzo della riserva da sovrapprezzo emissione azioni a copertura della perdita residua dei rami danni		39.165.838,27	39.165.838,27
	(0,00)	0,00	0,00

Consolidated financial statements

Finally we report that the consolidated financial statements of the Milano Assicurazioni Group, which record a group net loss of Euro 668,711 thousand, were prepared based on IFRS international accounting standards adopted by the European Union, as well as the Regulation issued enacting article 90 of Legislative Decree No. 209/2005; in particular, the financial statements and the notes thereto were prepared according to the provisions of Legislative Decree 38/2005 and adopting the statements required by ISVAP with Regulation No.7 of July 13, 2007 and subsequent amendments.

On February 23, 2011, the Board of Directors, in line with the conditions of the joint Bank of Italy/Consob/Isvap document No. 4 of March 3, 2010, confirms the compliance of the procedure utilised by the Insurance Company for the establishment of any impairment to the provisions of IAS 36.

In particular the 2010 consolidated financial statements were significantly affected by the recording, following an impairment test, of losses on AFS financial instruments for a total amount of Euro 380 million; this amount relates to the correct application of the impairment policy of the group, which in individual cases for a large part of the indicated amount concerns the automatic aligning of the stock market values recorded at the end of the reporting

period where the relative market value has been continuously below the original cost for a period of two years and considered independently of the stock market values offering a true representation of the fundamental underlying financial statement values of the relative entities.

The independent audit company prepared its report dated April 5, 2011, which states that the consolidated financial statements of the Milano Assicurazioni Group for 2010 were prepared with clarity and represent in a true and correct manner the balance sheet and financial situation, the results and the cash flows of the Milano Assicurazioni Group.

The Consolidated Directors' Report provides exhaustive information on the operational activities and the development of strategies and of inter-group transactions; their examination established compatibility with the consolidated financial statements, as has the report of the Audit Firm Deloitte & Touche S.p.A. of April 5, 2011.

Milan, April 5, 2011

The Board of Statutory Auditors

Mr. Giovanni Ossola – Chairman

Ms. Maria Luisa Mosconi – Statutory Auditor

Mr. Alessandro Rayneri – Statutory Auditor

MILANO ASSICURAZIONI S.p.A.

Registered Offices in Milan - Via Senigallia 18/2

Share Capital Euro 305,851,341.12 fully paid-in

Milan Company's Registration Office

and Tax Number 00957670151

Fondiaria-SAI Group

Management and Direction of Fondiaria-SAI S.p.A.

* * *

OPINION OF THE BOARD OF STATUTORY AUDITORS ON THE PROPOSAL TO PURCHASE TREASURY SHARES, SHARES OF THE DIRECT PARENT COMPANY FONDIARIA-SAI S.P.A. AND SHARES OF THE INDIRECT PARENT COMPANY PREMAFIN FINANZIARIA S.P.A. – HOLDING DI PARTECIPAZIONI

* * *

Dear Shareholders,

The Board of Directors illustrates, with a report prepared pursuant to the provisions of law and the requirements of Consob Regulation No. 11971/1999 as supplemented, the reasons for the request for the purchase and sale of a) treasury shares, b) shares of the direct Parent Company Fondiaria-Sai S.p.A. and c) shares of the indirect parent company Premafin Finanziaria S.p.A. - Holding di partecipazioni

a) In relation to the purchase of **treasury shares**, the Board of Directors recalls that, in compliance with Your previous deliberations, the Company, at the date of approval of the Financial Statements, held 6,764,860 treasury shares, equal to 1.214% ordinary share capital and 1.150% of the entire share capital.

   The Company does not hold any savings shares.

   The average unit carrying value of the ordinary shares held by the company was Euro 1.195; the official market value of the share at March 21, 2011 was Euro 1.1854.

On April 22, 2011 the twelve-month period fixed by the Shareholders' Meeting of April 22, 2010 for the purchase and sale of treasury shares will expire.

The Board of Directors proposes to authorise, in accordance with articles 2357 and 2357 ter of the civil code, further purchases of ordinary treasury shares and/or savings shares, in one or more tranches for a period of twelve months from the date of the resolution, in accordance with the programme illustrated below; It proposes, moreover, the authorisation of the sale of shares of treasury shares currently in portfolio, as well as those that will be purchased based on the resolution by the Shareholders' Meeting.

The request to renew authorisation for purchase and utilisation of treasury shares has the purpose of:

- in relation to the purchases, to avail of further investment opportunities relating to the available liquidity from time to time of the share and of the trend in the share price and the market.
- in relation to the utilisation the objective is to achieve, where possible, positive results.

In accordance with article 144-*bis* of Consob Resolution No. 11971/1999, the purchases will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell; blocking sales are excluded.

The Board of Directors therefore proposes to authorise the making, only in accordance with the previous paragraph, further purchases of treasury shares and/or saving shares, for a maximum number, taking into account any sales in the mean time, of **5,000,000 ordinary and/or saving shares of a nominal amount of Euro 0.52 each, within the maximum amount of Euro 10,000,000**, and in accordance with the limits as per article 2357 of the civil code.

The Board of Directors propose also the authorisation of sales, on the market and/or to third parties for the above stated purposes, of ordinary and/or savings shares held in

portfolio, in a manner believed most suited for the needs of the Company and however in compliance with regulations.

The maximum number of treasury shares which may be acquired above is the difference between the treasury shares acquired and those sold as authorised by the Shareholders' Meeting and therefore must refer to the additional number of treasury shares which the company can hold at any particular time.

The Board of Directors propose that each purchase is carried out for a unitary amount not above 5% of the average price recorded on the IT systems of Borsa Italiana in the three sittings preceding each single operation.

With regard to the sales, the Board of Directors propose:

- in the case of sales on the market, such are carried out at a price not lower than 5% than the average price recorded by the Borsa Italiana system in the three sittings prior to each single operation;
- in the case of sales to third parties, such are carried out at a price not lower than 5% than the average price recorded by the Borsa Italiana system in the five sittings prior to each single operation.

A total number of share may not be acquired above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis, for the duration of the programme. These limits are applicable also in the case of sale of treasury shares on the market.

In any case, in accordance with article 2357, paragraph 3 of the civil code, the total nominal value of the treasury shares, also taking into account those held by subsidiary companies, may not exceed 20% of the share capital.

All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases the Board of Directors propose - with prior elimination, for the amount that at April 22, 2011 will expire from the previous authorisation, of the "Reserves for treasury shares to be purchased" with a corresponding increase in the

"Extraordinary reserve" - to make a provision of Euro 10,000,000 to the "Reserve of treasury shares to be purchased", from the "Extraordinary reserve", from which We also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to article 2357 of the civil code in the case of revaluation of the treasury shares after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buyback programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, with the total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders' Meeting, the Company will also communicate to the market information on the outcome of the programme.

b) In compliance with Your previous resolutions, Your Company, at the date of the approval of the financial statements, holds **9,982,557 ordinary shares of the parent company Fondiaria-SAI S.p.A.**, equal to 8.019% of the ordinary share capital of this latter and 5.976% of the entire share capital.

The average unit carrying value of the ordinary shares of the direct parent company Fondiaria-SAI held by the Company was Euro 18.258; the official market value of the share at March 21, 2011 was Euro 6.8015.

On April 22, 2011, the twelve-month period fixed by the Shareholders' Meeting of April 22, 2010 for the purchase and sale of shares of the indirect holding company Fondiaria-SAI S.p.A. expires.

The Board of Directors proposes to authorise, in accordance with article 2359 bis of the civil code, further purchases of ordinary and/or savings shares of the direct holding company Fondiaria-SAI, in one or more tranches for a period of twelve months from the date of the resolution by the Shareholders' Meeting, in accordance with the programme illustrated below.

They also propose to authorise the sale, where required, of the ordinary and/or savings shares of the indirect holding company Fondiaria-SAI currently held in portfolio, as well as those which will be purchased following the Shareholders' Meeting resolution.

The request of renewal of the authorisation to purchase and sell shares of the direct holding company Fondiaria-SAI has the objective, with relation to the purchase, to avail of further opportunities of investments relating to the available liquidity from time to time of the share and of the trend in the share price and the market and with regard to the sale, the achievement of positive results.

In accordance with article 144-*bis* of Consob Resolution No. 11971/1999, the purchases and sales will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell.

The Board of Directors therefore proposes to authorise the making, only in accordance with the previous paragraph, further purchases of shares of the direct holding company Fondiaria-SAI, for a maximum increase, taking into account any sales in the meantime, of **250,000 ordinary and/ or savings shares of a nominal amount of Euro 1 each, within the maximum amount of Euro 2,500,000**, and in accordance with the limits as per article 2359 of the civil code.

The maximum number of shares of Fondiaria-SAI acquired as above is determined as the difference between the Fondiaria-SAI shares acquired and those sold authorised by the Shareholders' Meeting and therefore must refer to the additional number of Fondiaria-SAI shares which the company can hold at any particular time.

The Board of Directors also proposes that each purchase is made for a unit payment not above 5% compared to the average reference price recorded on the Borsa Italiana system in the three previous trading days before each single operation and the sales are made at a price which must not be lower than 5% compared to the average reference price recorded on the Borsa Italiana system in the three trading prior days to each operation.

With regard to the volumes, a total number of shares may not be acquired or sold above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis, for the duration of the programme.

In any case, in accordance with article 2359 bis, paragraph 3 of the civil code, the total nominal value of the shares of the holding company Fondiaria-Sai, also taking into account those held by the same company and its subsidiary companies, may not exceed 20% of the share capital of the same Fondiaria-Sai.

All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases the Board of Directors propose - with prior elimination, for the amount that at April 22, 2011 will mature from the previous authorisation, of the "Reserves for holding company shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 2,500,000 to the "Reserve of holding company shares to be purchased", from the "Extraordinary reserve", from which We also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to article 2359 of the civil code in the case of the revaluation of the shares of the direct holding company after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buyback programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, with the total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders' Meeting, the Company will also communicate to the market information on the outcome of the programme.

c) In compliance with Your previous resolutions, Your Company, at the date of the approval of the financial statements, holds **9,157,710 ordinary shares of the indirect parent**

company Premafin Finanziaria S.p.A. (hereafter Premafin), equal to 2.232% of the share capital.

The average unit carrying value of the ordinary shares of the indirect parent company Premafin held by the Company was Euro 0.769. The official market value of the share at March 21, 2011 was Euro 0.6222.

On April 22, 2011, the twelve-month period fixed by the Shareholders' Meeting of the Company of April 22, 2010 for the purchase and sale of shares of the indirect holding company Premafin expires.

The Board of Directors proposes to authorise, in accordance with article 2359 bis of the civil code, further purchases of shares of the indirect holding company Premafin, in one or more tranches for a period of twelve months from the date of the resolution by the Shareholders' Meeting, in accordance with the programme illustrated below.

They also propose to authorise the sale, where required, of the shares of the indirect holding company Premafin currently held in portfolio, which will be purchased following the resolution of the Shareholders' Meeting resolution.

The request of renewal of the authorisation to purchase and sell shares of the indirect holding company Premafin has the objective, with relation to the purchase, to avail of further opportunities of investments relating to the available liquidity from time to time of the share and of the trend in the share price and the market and with regard to the sale, the achievement of positive results.

In accordance with article 144-*bis* of Consob Resolution No. 11971/1999, the purchases and sales will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell. Blocking sales are also excluded.

They therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of shares of the indirect holding company Premafin, for a maximum increase, taking into account any sales in the mean time, of **500,000 shares of a**

nominal amount of Euro 1 each, within the maximum amount of Euro 500,000, and in accordance with the limits as per article 2359 of the civil code.

The maximum number of shares of the indirect holding company Premafin acquired as above is determined as the difference between the Premafin shares acquired and those sold authorised by the Shareholders' Meeting and therefore must refer to the additional number of Premafin shares which the company can hold at any particular time.

We propose to the Board of Directors that each purchase is made for a unit payment not above 5% compared to the average reference price recorded on the Borsa Italiana system in the three previous trading days before each single operation and the sales are made at a price which must not be lower than 5% lower than the average reference price recorded on the Borsa Italiana system in the three trading prior days to each operation.

With regard to the volumes, a total number of shares may not be acquired or sold above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis, for the duration of the programme.

In any case, in accordance with article 2359 bis, paragraph 3 of the civil code, the total nominal value of the shares of the indirect holding company Premafin, also taking into account those held by the same company and its subsidiary companies, may not exceed 20% of the share capital of the same Premafin.

All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases the Board of Directors proposes - with prior elimination, for the amount that at April 22, 2011 will mature from the previous authorisation, of the "Reserves for holding company shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 500,000 to the "Reserve of holding company shares to be purchased", from the "Extraordinary reserve", from which We also propose to transfer the necessary amounts for the reconstitution of the reserve

pursuant to article 2359 of the civil code in the case of the revaluation of the shares of the indirect holding company Premafin after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buyback programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, with the total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders' Meeting, the Company will also communicate to the market information on the outcome of the programme.

The Board of Statutory Auditors is in agreement with the proposals made by the Board of Directors.

Milan, March 29, 2011

THE BOARD OF STATUTORY AUDITORS

Mr. Giovanni OSSOLA

Ms. Maria Luisa MOSCONI

Mr. Alessandro RAYNERI

Relazione della Società di Revisione al Bilancio d'esercizio chiuso al 31/12/2010

Deloitte.

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RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DEGLI ARTT. 14 E 16 DEL D.LGS. 27.1.2010, N. 39 E DELL'ART. 102 DEL D.LGS. 7.9.2005, N. 209

Agli Azionisti di
MILANO ASSICURAZIONI S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio di Milano Assicurazioni S.p.A. chiuso al 31 dicembre 2010. La responsabilità della redazione del bilancio in conformità alle norme che ne disciplinano i criteri di redazione compete agli Amministratori di Milano Assicurazioni S.p.A.. E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

   Secondo quanto previsto dall'art. 102 del D.Lgs. n. 209/2005 e dall'art. 24 del Regolamento ISVAP n. 22/2008, nell'espletamento del nostro incarico ci siamo avvalsi dell'attuario revisore che si è espresso sulla sufficienza delle riserve tecniche iscritte nel passivo dello Stato Patrimoniale di Milano Assicurazioni S.p.A. tramite le relazioni qui allegate.

   Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione da noi emessa in data 6 aprile 2010.

3. A nostro giudizio, il bilancio d'esercizio di Milano Assicurazioni S.p.A. al 31 dicembre 2010 è conforme alle norme che ne disciplinano i criteri di redazione; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria ed il risultato economico della società.

4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori di Milano Assicurazioni S.p.A.. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e della specifica sezione sul governo societario e gli assetti proprietari, limitatamente alle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. n. 58/98, con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. n. 58/98 presentate nella specifica sezione della medesima relazione sono coerenti con il bilancio d'esercizio di Milano Assicurazioni S.p.A. al 31 dicembre 2010.

DELOITTE & TOUCHE S.p.A.

Enrico Ciai
Socio

Milano, 5 aprile 2011

ASSOCIAZIONE PER LA CONSULENZA E LA RICERCA ATTUARIALE

Prof. Paolo De Angelis
Dott. Paolo Nicoli
Dott. Fabio Baione
Dott. Andrea Fortunati

Partners:
Dott. Eraldo Antonini
Dott. Francesco Maria Matricardi

RELAZIONE DELL'ATTUARIO
AI SENSI DEGLI ART. 102 E 103 DEL DECRETO LEGISLATIVO 7 SETTEMBRE 2005, N. 209

Spettabile
DELOITTE & TOUCHE S.P.A.
Via Tortona 25
20144 Milano (MI)

OGGETTO: MILANO ASSICURAZIONI S.p.A.
BILANCIO DELL'ESERCIZIO 2010

In esecuzione all'incarico conferitomi, ho sottoposto a revisione attuariale le voci relative alle riserve tecniche dei rami danni, iscritte nel passivo dello stato patrimoniale del bilancio di esercizio della Milano Assicurazioni S.p.A. chiuso al 31 dicembre 2010.

A mio giudizio nel loro complesso le suddette riserve tecniche, iscritte nel passivo dello stato patrimoniale, sono sufficienti in conformità alle vigenti disposizioni di legge e regolamentari e a corrette tecniche attuariali, nel rispetto dei principi di cui all'articolo 26, comma 1, del Regolamento ISVAP n. 22 del 4 aprile 2008.

Roma, 5 aprile 2011

L'Attuario

(Prof. Paolo De Angelis)

Prof. PAOLO DE ANGELIS
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BILANCIO DELL'ESERCIZIO 2010

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A mio giudizio nel loro complesso le suddette riserve tecniche, iscritte nel passivo dello stato patrimoniale, sono sufficienti in conformità alle vigenti disposizioni di legge e regolamentari e a corrette tecniche attuariali, nel rispetto dei principi di cui all'articolo 26, comma 1, del Regolamento ISVAP n. 22 del 4 aprile 2008.

Roma, 5 aprile 2011

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2010 Consolidated Financial Statements

5 YEAR OVERVIEW - CONSOLIDATED

	2006		2007		2008		2009		2010	
TOTAL PREMIUMS		**%**		**%**		**%**		**%**		**%**
MOTOR TPL	1,741,470	50.97	1,619,520	45.02	1,729,077	42.20	1,857,941	51.16	1,852,144	51.00
NON-LIFE DIVISION	1,033,811	30.26	1,040,567	28.92	1,198,918	29.26	1,278,188	35.20	1,251,845	34.47
LIFE DIVISION	641,175	18.77	937,597	26.06	1,169,672	28.54	495,528	13.64	527,782	14.53
TOTAL	**3,416,456**	**100.00**	**3,597,684**	**100.00**	**4,097,667**	**100.00**	**3,631,657**	**100.00**	**3,631,771**	**100.00**
CLAIMS PAID ***and related charges***	**2,576,370**		**2,798,919**		**3,733,703**		**3,120,808**		**3,233,813**	
GROSS TECHNICAL RESERVES										
PREMIUM RESERVE	958,933		930,999		1,166,756		1,174,114		1,192,062	
CLAIMS RESERVE	3,402,204		3,362,626		3,780,404		3,936,933		4,096,194	
OTHER NON-LIFE TECHNICAL RESER	2,750		3,700		4,523		3,562		3,287	
LIFE TECHNICAL RESERVES	4,717,223		5,548,872		5,821,790		3,899,328		3,852,793	
TOTAL	**9,081,110**		**9,846,197**		**10,773,473**		**9,013,937**		**9,144,336**	
TECHNICAL RESERVES/PREMIUMS	**265.80%**		**273.68%**		**262.92%**		**248.20%**		**251.79%**	
SHAREHOLDERS' EQUITY										
SHARE CAPITAL AND RESERVES	1,737,650		1,765,750		1,814,603		2,021,908		1,971,959	
NET PROFIT/LOSS	247,854		252,104		167,916		-139,987		-668,711	
TOTAL	**1,985,504**		**2,017,854**		**1,982,519**		**1,881,921**		**1,303,248**	
INVESTMENTS	**11,291,660**		**12,800,654**		**12,562,830**		**9,443,895**		**9,101,143**	
NUMBER OF EMPLOYEES	**1,658**		**1,644**		**2,087**		**2,026**		**1,963**	

Directors' Report

Financial highlights

The Group net loss for 2010 was Euro 668.7 million compared to a loss of Euro 140 million recorded in the previous year. The result was significantly affected by the losses in the Motor TPL and General TPL classes and the impairment on AFS financial instruments under the impairment policy adopted by the Fondiaria-SAI group for Euro 380 million.

The key figures in the 2010 income statement compared to the previous year are shown below:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Net premiums	3,464,853	3,430,152	34,701
Commission income	874	877	-3
Net Income from financial instruments recorded at fair value through profit or loss	-637	66,355	-66,992
Income from subsidiaries, ass. and jt. ventures	1,727	2,573	-846
Income from other financial instruments and property investments	447,351	380,455	66,896
- Interest income	213,206	250,978	-37,772
- Other income	70,063	64,446	5,617
- Profits realised	163,821	61,748	102,073
- Valuation gains	261	3,283	-3,022
Other revenue	166,549	175,285	-8,736
Total revenues	**4,080,717**	**4,055,697**	**25,020**
Net charges relating to claims	-3,278,381	-3,086,991	-191,390
Commission expenses	-82	-120	38
Charges from subsid., ass. & jt. ven.	-41,355	-50,636	9,281
Charges from other financial instruments and property investments	-511,752	-135,622	-376,130
- Interest expense	-13,726	-15,249	1,523
- Other expenses	-23,047	-12,509	-10,538
- Losses realised	-56,731	-32,468	-24,263
- Valuation losses	-418,248	-75,396	-342,852
Management expenses	-668,834	-682,045	13,211
- Commissions and other acquisition expenses	-541,282	-561,061	19,779
- Investment management charges	-4,107	-5,389	1,282
- Other administration expenses	-123,445	-115,595	-7,850
Other expenses	-335,182	-289,514	-45,668
Total costs	**-4,835,586**	**-4,244,928**	**-590,658**
Loss before taxes	**-754,869**	**-189,231**	**-565,638**
Income taxes	82,697	50,834	31,863
Net loss	**-672,172**	**-138,397**	**-533,775**
Net result from discontinued activities	3,281	485	2,796
Consolidated loss	**-668,891**	**-137,912**	**-530,979**
Result pertaining to minority interest	-180	2,075	-2,255
Group loss	**-668,711**	**-139,987**	**-528,724**

The key factors in 2010 which contributed to this result are summarised below:

- the **non-life division** reports a pre-tax loss of Euro 730.7 million, a significant increase on the 2009 loss of Euro 200.8 million.
  The deterioration is due both to the negative performance of the civil responsibility classes and the impairments on AFS financial instruments which had a negative impact of Euro 319.6 million.
  In relation to insurance management:
  - the **Motor TPL class**, although with a stable performance for contracts acquired in the year, it was necessary to further and significantly strengthen the reserves concerning prior year claims, following particularly the new physical injury compensation tables adopted by the major courts which resulted in a strong increase in the average costs of claims paid; The difficulties in certain areas of Centre-South Italy continue, with a high proportion of physical injury claims and claims which, due to the manner of the claim and the occurrence of the incident, have raised suspicions of fraud against the company;
  - the **General TPL** class reports a negative performance following the worsening of the claims to premium ratio in the current period and higher prior year claims costs, already recorded to the reserve;
  - the technical performance of the **other non-life classes** was in positive territory and improved on 2009, with particularly satisfying results in the Accident, Land Vehicle and Assistance classes.

  The technical balance of the civil responsibility class had a significant impact on the overall combined ratio which, net of reinsurance, increased from 108.9% in 2009 to 114.8% in 2010.

- the **life sector** recorded a loss of Euro 0.9 million compared to a net profit of Euro 51.9 million in 2009. Also in this case the deterioration is due essentially to the impairment on AFS financial instruments with an impact of Euro 60.3 million. The technical margins of the portfolio are however positive and substantially unchanged on the previous year. Once the instability which currently affects the markets has passed, the life sector will be well placed to take advantage of the strong potential of a portfolio principally comprising traditional type products which are sufficiently remunerative and engender client loyalty over the long-term.

- the **real estate sector** recorded a pre-tax loss of Euro 23.7 million. The result was principally affected by:
  - the loss of Immobiliare Milano Assicurazioni S.r.l. (Euro 19.3 million), principally due to asset impairments and costs relating to the Citylife project, not yet offset by profits on property sales;

  - the loss recorded by the Athens Fund (Euro 4 million) following impairments on real estate complexes held;

- the **asset management** sector recorded impairments on financial instruments classified in the AFS category for a total amount of Euro 380 million (Euro 57.2 million in 2009). The continuation of poor financial market performances has for some securities in portfolio resulted in the recording a value lower than the book value for a continuous period of at least 2 years.
  Therefore in line with the Group impairment policy declared in the 2009 annual accounts, the average costs of these securities were aligned with the stock market values at the end of the period, and therefore not considering the proper correlation of the stock market values vis-à-vis the fundamental values of the respective entities.
  In particular, further impairments of Euro 212.4 million, of which Euro 93.7 million relating to the holding in Assicurazioni Generali and Euro 89 million relating to the holding in Unicredit are added to the impairments already recorded at September 30 (Euro 167.6 million, of which Euro 152 million relating to the holding of Milano Assicurazioni in the parent company Fondiaria-Sai).
  In relation to the other types of financial income:
  - interest income totalling Euro 213.2 million, a decrease on Euro 251 million in 2009, due to the continuation of the expansive monetary policy by the relevant authorities with the maintenance of low base interest rates in order to foster a recovery, which remains tentative;
  - net profits to be realised on investments amounting to Euro 107.1 million compared to Euro 23.9 million in the previous year and concerning the sale of real estate for Euro 61.1 million and trading profits on financial instruments for Euro 46 million, principally as a result of the trading activity which took advantage of the opportunities offered by an extremely volatile market, within an uncertain economic environment and with fresh concerns surrounding the sustainability of the public debt of some European states;
  - the financial instruments at fair value recorded through profit and loss report net charges of Euro 0.6 million compared to income of Euro 66.3 million in 2009. The result was principally affected - also in this case - by the weakness in prices of some bond issues, affected by the continued turbulence on the financial markets.

- the holdings in associated companies, valued under the equity method, recorded net losses of Euro 39.6 million. The result principally follows the loss of Atahotels in 2010 of Euro 51.8 million, contributing a loss of Euro 30.5 million to the overall result of Milano Assicurazioni (based on the 49% holding) and the full write-down of the goodwill previously allocated to the investment. The loss relates both to the difficult context which continues to affect the hotel sector and to extraordinary charges recorded in the 2010 financial statements.

- the management expenses in the non-life insurance sector amounted to Euro 639.3 million, with a percentage on net premiums of 21.7% (21.9% in 2009). In the life division, the management expenses amounted to Euro 29.6 million, with a percentage on the premiums of 5.7% (6.9% in 2009);

The result for the year was not impacted by unusual or atypical events or operations from the normal operations of the company.

The table below shows the result before taxes in each sector. The real estate sector includes the real estate subsidiary companies (Immobiliare Milano Assicurazioni, Sintesi Seconda, Campo Carlo Magno and the Athens Fund), while the Other Activities include the subsidiary Sogeint, which provides commercial assistance to the Agencies.

(in Euro thousands)	**Non-Life**	**Life**	**Real Estate**	**Other**	**Inter-seg Elim.**	**Total**
Net premiums	2,950,284	514,569	-	-	-	3,464,853
Commission income	-	874	-	-	-	874
Net Income from financial instruments recorded at fair value throu gh profit or	-9,541	8,309	595	-	-	-637
Income subsidiary, associate & j.v.	806	-	921	-	-	1,727
Income from other financial instruments and property investments	235,459	199,448	12,444	-	-	447,351
- Interest income	65,065	147,525	616	-	-	213,206
- Other income	43,980	14,255	11,828	-	-	70,063
- Profits realised	126,414	37,407	-	-	-	163,821
- Valuation gains	-	261	-	-	-	261
Other revenue	144,902	12,103	5,229	9,259	-4,944	166,549
Total revenues	**3,321,910**	**735,303**	**19,189**	**9,259**	**-4,944**	**4,080,717**
Net charges relating to claims	-2,693,623	-584,758	-	-	-	-3,278,381
Commission expenses	-	-82	-	-	-	-82
Charges subsidiay, associate & j.v.	-34,750	-346	-6,259	-	-	-41,355
Charges from other financial instruments and property investments	-382,996	-99,213	-29,543	-	-	-511,752
- Interest expense	-5,038	-6,133	-2,555	-	-	-13,726
- Other expenses	-11,704	-829	-10,514	-	-	-23,047
- Losses realised	-24,663	-31,994	-74	-	-	-56,731
- Valuation losses	-341,591	-60,257	-16,400	-	-	-418,248
Management expenses	-639,267	-29,567	-	-	-	-668,834
- Commissions and other acquisition	-524,826	-16,456	-	-	-	-541,282
- Investment management charges	-2,271	-1,836	-	-	-	-4,107
- Other administration expenses	-112,170	-11,275	-	-	-	-123,445
Other expenses	-301,937	-22,224	-7,122	-8,843	4,944	-335,182
Total costs	**-4,052,573**	**-736,190**	**-42,924**	**-8,843**	**4,944**	**-4,835,586**
Profit/(loss) before taxes – 2010	**-730,663**	**-887**	**-23,735**	**416**	**-**	**-754,869**
Profit/(loss) before taxes - 2009	**-200,754**	**51,934**	**-34,298**	**155**	**-6,268**	**-189,231**

Non-Life Insurance Sector

Premiums written

The premiums of the direct and indirect business totalled Euro 3,104 million (-1% on 2009).

The direct premiums written, which represent almost all of the portfolio, amounted to Euro 3,096.4 million (-1%) of which, Euro 2,145.7 million relating to the motor classes, a decrease of 0.8% compared to 2009 and Euro 950.7 million relating to the other non-life classes (-1.5%).

The reasons for these trends, already described in the interim accounts, are summarised below:

- in the **Motor TPL** class premiums were affected both by the difficult economic environment, which has affected the entire insurance market, and also by the actions taken by the company to recover profitability in a sector which for some time has shown signs of a technical deterioration, also as a result of fraudulent activity.

  At a general level premiums were impacted by the lack of new vehicle registrations (-13% on 2009), in part due to the discontinuation of government incentives, as well as the recently enacted legislative provisions necessitating the attribution of the bonus-malus class at family level and also the application of malus only in the case of principal responsibility.

  More specifically, premiums were affected by the discontinuation of a number of multi-risk contracts, the actions in relation to agencies with particularly poor technical performances as well as the new underwriting criteria adopted, which bases the acquisition of contracts on the application of the correct technical parameters according to the tariff, limiting the recourse to discounts;

- in relation to the **Land Vehicle class**, the contraction in premiums written is due to the difficult economic environment which limits household disposable income with a consequent reduction in accessory guarantees to motor policies and the weakness of the car market which, as indicated above, in 2010 again saw a significant decrease in new car registrations.
  The sales policies of the motor manufacturers have also impacted volumes with the inclusion in the vehicle sales price of insurance packages with fire, theft and assistance guarantees. The review of the portfolio - particularly focused on the fleet policies with poor performances – also impacted the result.

- in the other non-life classes the contraction in premiums written reflects the difficult economic context, which curtails the need for corporate insurance coverage on the one hand and on the other limits the resources available for underwriting retail coverage. The underwriting policy continues to focus on the selection of risks and the application of correct technical parameters, favouring the retail sector, which presents a better technical performance.

Indirect premiums amounted to Euro 7.6 million - unchanged on the previous year. Following the decision taken in the past to discontinue outward reinsurance, the volume of premiums remains negligible and essentially relate to the companies of the Fondiaria-Sai Group.

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

(in Euro thousands)	**2010**	**2009**	**Change %**
Accident & health	246,852	262,356	-5.9
Marine, aviation and transport	27,747	33,771	-17.8
Fire and other property damage	348,589	343,234	+1.6
General TPL	230,663	225,924	+2.1
Credit & Bonds	47,011	45,539	+3.2
General pecuniary losses	9,706	14,177	-31.5
Legal protection	9,220	10,153	-9.2
Assistance	30,956	29,780	+3.9
Total Division – Non Motor	**950,744**	**964,934**	**-1.5**
Land Motor TPL	1,852,144	1,857,941	-0.3
Land vehicles	293,525	305,697	-4.0
Total Division – Motor	**2,145,669**	**2,163,638**	**-0.8**
TOTAL	**3,096,413**	**3,128,572**	**-1.0**

Claims reported and paid

Claims reported totalled 866,075; reducing 3.7% on the previous year. In particular, in the motor classes the reduction of 6% confirms the improved quality of the contracts underwritten in the year. The gross claims paid amounted to Euro 2,596.4 million, compared to Euro 2,446.3 million in the previous year (+6.1%).
The table below shows the breakdown of the number of claims reported and the amount, including the expenses, of the claims paid on direct Italian business:

	Claims reported Number			Claims paid (in Euro thousands)		
	2010	**2009**	**Cge. %**	**2010**	**2009**	**Cge. %**
Accident & health	89,832	85,302	+5.3	138,584	138,111	+0.3
Marine, aviation and transport	679	902	-24.7	8,186	8,466	-3.3
Fire and other property damage	101,054	103,335	-2.2	218,321	241,059	-9.4
General TPL	51,176	52,301	-2.2	165,054	152,356	+8.3
Credit & Bonds	883	772	+14.4	23,214	19,627	+18.3
General pecuniary losses	1,750	2,416	-27.6	8,292	6,249	+32.7
Legal protection	872	872	-	1,067	766	+39.3
Assistance	64,111	62,764	+2.1	10,948	11,443	-4.3
Total Division – Non Motor	**310,357**	**308,664**	**+0.5**	**573,666**	**578,077**	**-0.8**
Land Motor TPL	418,482	445,226	-6.0	1,830,251	1,668,229	+9.7
Land vehicles	137,236	145,874	-5.9	192,527	199,962	-3.7
Total Division – Motor	**555,718**	**591,100**	**-6.0**	**2,022,778**	**1,868,191**	**+8.3**
TOTAL	**866,075**	**899,764**	**-3.7**	**2,596,444**	**2,446,268**	**+6.1**

Technical performance

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

	2010	2009
Loss ratio (*)	91.3%	85.2%
Combined ratio (**)	114.8%	108.9%
Reserve ratio (***)	170.5%	163.1%

(*) claims of period / premiums, net of reinsurance
(**) loss ratio + expense ratio + technical charges margin; the expense ratio was calculated net of the charges deriving from the amortisation of long-term commissions capitalised in previous years.
(***) gross technical reserves

The **Motor TPL Class** recorded a significantly poor performance due to the contracts issued in previous years, particularly in certain regions of Centre-South Italy, with a higher percentage of claims reporting physical injury and where the risk of fraud to the company is greatest. Current generation contracts however improved, with an increase in the average policy premium and a decrease in the frequency.
The recent introduction of the new physical injury compensation tables adopted by the main courts resulted in a significant increase in the average claim cost paid, with the consequent necessity to significantly strengthen the prior year claims reserves.

For the recovery in overall profitability, further actions were taken in relation to the underwriting of contracts, through the new tariff introduced in October, and also in relation to agencies with particularly poor technical performances, as well as actions concerning claim settlement criteria, introducing, among other issues, a new anti-fraud structure in the year in order to cope with an increasingly significant problem in this difficult economic environment.
This structure, supported by specific IT supports, identifies potentially false claims with regional investigative and settlement networks carrying out more in-depth investigations to ascertain the reality behind the events claimed. In some regions the first affects of the actions saw a drop in claims by injured parties.

Increasing benefits are also expected from *"Auto Presto & Bene"*, the specific structure created by the Fondiaria-Sai group with the objective to improve the service to clients and to contain the material damage claim costs, through the entry into the spare parts distribution chain, with the consequent creation of value.

Therefore, Auto Presto & Bene signed agreements with the principal car manufacturers to directly purchase spare parts from their distribution networks and supplying them to repair centres within the network in order to only utilise original spare parts in the repairs of damaged vehicles, therefore guaranteeing clients an excellent level of service.

The technical performance of the **Land Vehicle Class** was positive, with results that have gradually improved following the actions undertaken to recovery profitability after the emergence in the fourth quarter 2009 of particularly negative performances of some accessory guarantees, such as vandalism and windshield damage, which affected the overall profit margin.
Profit levels were assisted by the new combined guarantee sales methods which offset the claims recorded in certain types of coverage and the adoption of specific compensation forms, particularly in relation to windshield guarantees.

In the **General TPL class** a negative technical balance follows the increase in the current year claims-premiums ratio and the impact of prior year claims.
Claims were particularly high in the corporate sector, specifically in the public bodies class, where the monitoring of performances was stepped up and premium management improved. The analyses regard both our exclusive policies and those acquired under co-assurance.
In the retail sector - which reports a better overall performance - products concerning professionals working in the healthcare area performed poorly.
Targeted actions are being implemented to recover profitability on poor performing contracts, on agencies with particularly unsatisfying results and on policies hit by significant claims.

The technical performance of the **other non-life classes** reports profits across the board, with particularly satisfying results in the Accident and Assistance classes.

* * *

Liguria Assicurazioni, with a predominantly multi-mandate sales network, wrote premiums of Euro 262.9 million, a decrease of 3.9% on 2009, essentially due to the discontinuation from the portfolio of policies with negative technical performances.
The direct business claims to premium ratio decreased from 114.7% to 89.8%. The deterioration is principally due to a significant strengthening of the claims reserve, carried out following the increase in the average cost of claims paid as a result of the new physical injury compensation tables recently adopted by the major courts.

A loss of Euro 93.3 million was reported in accordance with IAS accounting standards, compared to a loss of Euro 25.7 million in 2009.

In 2010, the initiatives taken to recover profitability and operating efficiency, in particular in the claims sector, continued: secondary offices were subject to comprehensive reorganisational actions in order to contain costs, improve settlement times and to prevent and contain fraud.

In addition to claims, the principal organisational structures of the company were developed and improved, with particular reference to the commercial and IT structures, where synergies within the group were further strengthened.

The commercial initiatives undertaken in 2010 focused even more on the coordination of the regional structures and the network agencies through specific initiatives. The total discounts awarded by agencies was also reduced. In June the new Motor TPL tariff was introduced, reviewed in order to rebalance the technical result. At the same time, the discontinuation of sales points with unsatisfactory performances continued, partially rebalanced by the opening of carefully selected sales points.

In relation to the distribution of contracts through the **telephone and internet channel**, Dialogo Assicurazioni (a 99.85% held subsidiary of Milano Assicurazioni) began a new phase in the year of the advertising campaign established under the industrial plan. The cost incurred in 2010 amounting to approx. Euro 4 million was entirely expensed in the income statement.
The gross premiums written amounted to Euro 33.6 million, an increase of 17% compared to 2009.
The Motor TPL class, which comprises the majority of the portfolio, reports a deteriorating technical performance, with a claims to premium ratio increasing to 123.1% from 111.3% in 2009, principally following the increase in the average cost of claims paid and the consequent need to strengthen the prior year claims reserve.
Within the current environment, the contribution of Dialogo Assicurazioni to the consolidated income statement was a loss of Euro 14.1 million (loss of Euro 16.6 million in 2009).

In relation to the **contracts issued through partner banks**, Systema Compagnia di Assicurazioni S.p.A. (wholly owned by Milano Assicurazioni) recorded premiums in 2010 of Euro 21.7 million, an increase of 52.7% on 2009.
The Motor TPL class claims/premium ratio deteriorated from 71.2% in 2009 to the current 100.4%, also in this case following the increase in the average cost of claims paid and the consequent need to strengthen the prior year claims reserve.

In the Other Non-Life Classes claims decreased on the previous year, affected by extraordinary events which hit some policies in the Fire and Natural Elements Class.
The contribution of Systema Assicurazioni to the consolidated income statement was Euro 0.4 million (Euro 0.2 million in 2009).

Reinsurance

The premiums ceded in the non-life division amount to Euro 139.5 million compared to Euro 184.1 million in the previous year. The percentage on direct premiums decreased from 5.9% to 4.5%.

The reduction is principally due to the modification of the Motor TPL claim excess with the group company The Lawrence Re and in particular the rising of the priority from Euro 1 million to Euro 2.5 million.

The reinsurance structure of the non-life division is based on proportional cover and non-proportional coverage in claim excess.
Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.

For the Bond and Aviation classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.

The net retention of the Technological Risks is protected following an event which jointly concerned the Fire and Land Vehicle classes. Protection by individual risk is only permitted for some specific guarantees.

The non-proportional programmes are also utilised to protect the Fire, Motor TPL, General TPL, Theft and Injury classes.

The reinsurance contracts are with the Irish company The Lawrence Re, indirectly controlled 100% by Fondiaria-Sai, which subsequently transfers the risks underwritten in reinsurance, utilising primary international operators with an adequate rating, in line with ISVAP circular 574/D.
The only exceptions are Aviation coverage, directly placed on the reinsurance market, the Assistance class and the Transport class: for the Assistance class, the protection is guaranteed by Pronto Assistance, while for the Transport classes, in line with the concentration programme of the underwriting with SIAT (the specialised company of the Fondiaria-SAI group), the company continues to reinsure the entire portfolio with SIAT, utilising a proportional coverage.

Life Insurance Sector

Sale of the investment held in the company Bipiemme Vita

Having received the relevant authorisations, on June 17 Milano Assicurazioni transferred to Banco Popolare di Milano the entire holding in Bipiemme Vita S.p.A. comprising 51% of the share capital for a consideration of Euro 122.1 million, deducting – as agreed – the dividend paid in the intervening period by Milano Assicurazioni of Euro 8.67 million. The sale substantially had a neutral impact on the income statement in the year.
The agreement also provides for an earn-out linked to the achievement of thresholds in favour of Milano Assicurazioni in the case in which Banca Popolare di Milano sells the majority shareholding in BIPIEMME VITA S.p.A. to third parties in the 12 months following the sale, as well as the maintaining by BPM of the current financial management services provided to the Fondiaria-SAI Group.
Currently, the conditions required for the above-stated earn out are not in place and consequently there was no effect on the income statement.

Premiums written and new business

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

(in Euro thousands)	**31/12/10**	**31/12/09**	**Change %**
Insurance on human life expectancy	437,886	399,096	+9.7
Insurance relating to investment funds and market indices	146	5,250	-97.2
Health insurance	52	124	-58.1
Securitisation operations	89,697	90,998	-1.4
TOTAL	**527,781**	**495,468**	**+6.5**

The strong performance of traditional **class one** insurance products is highlighted (+9.7%), following in particular the strong uptake by the client base of separated management contracts, characterised by minimum guaranteed yields consolidated annually, related to demographic-based insurance content factors.
The growth was seen across nearly all of the product range, both for the medium-high single premium products and for the smaller annual or recurring premiums.

The **securitisation** class recorded premiums substantially in line with the previous year. Premiums derived both from the agency networks and larger contracts, managed centrally and agreed at conditions which guarantee sufficient profit levels. Interest from institutional investors and corporate clients remained strong in insurance products as instruments of effective treasury management.

In relation to the **distribution channels**, the new business from the agency networks recorded a strong contribution from annual and recurring premium products, which engender greater client loyalty and foster the long-term growth of the portfolio.

Financial type contracts amounting to Euro 8.6 million were issued in the year. In accordance with IFRS 4, these contracts were recorded under the deposit accounting method, which provides for recognition in the income statement, under the account commission income, of only the profit margins.

On an indicative basis, the data relating to new premiums, determined according to the Supervision Authority, and compared at like-for-like terms, are shown below: contracts with a non-significant insurance risk are included, which are not included within the application of IFRS 4.

(in Euro thousands)	**2010**	**2009**	**Change %**
Class I	257,373	218,988	+17.5
Class III	114	5,154	-97.8
Class IV	-	1	n.s.
Class V	48,627	52,563	-7.5
Class VI	655	-	n.s.
TOTAL	**306,769**	**276,706**	**+10.9**

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

(in Euro thousands)	**2010**	**2009**	**Change %**
Class I	49,971	37,384	+33.7
Class III	13	544	-97.6
Class IV	-	1	n.s.
Class V	4,863	5,814	-16.4
Class VI	464		n.s.
TOTAL	**55,311**	**43,743**	**+26.4**

The table below summarises the last certified returns from the principal Internal Separated Managements:

	2010	**2009**
Viva	3.73%	4.03%
Valuta Viva	4.82%	4.25%
Gepre	3.72%	4.03%
Geprecoll	4.24%	4.52%
3°	3.51%	4.04%
Sasariv	3.78%	4.03%

Overall, the technical reserves amounted to Euro 3,852.8 million (Euro 3,899.3 million in 2009).

Sums Paid

The gross sums paid amount to Euro 589.5 million (Euro 606.6 million in 2009), a decrease of 2.8%.
The breakdown by class and type is reported in the following table:

(in Euro thousands)	**Claims**	**Redemptions**	**Maturity**	**Total**
Class I	14,180	162,091	298,585	474,856
Class III	690	8,631	41,255	50,576
Class V	672	31,136	32,237	64,045
Total	**15,542**	**201,858**	**372,077**	**589,477**
Total 31/12/2009	**19,300**	**251,137**	**336,194**	**606,631**

Technical Performance

The **life sector** recorded a loss of Euro 0.9 million compared to a net profit of Euro 51.9 million in 2009. The deterioration is due essentially to impairments on AFS financial instruments with an impact of Euro 60.3 million. The technical margins of the portfolio are positive and substantially unchanged on the previous year. Once the instability which currently affects the markets has passed, the life sector will be well placed to take advantage of the strong potential of a portfolio principally comprising traditional type products which are sufficiently remunerative and engender client loyalty over the long-term.

Individual Insurance

The following commercial initiatives were taken in the period:

- the new OPEN GOLD product was launched, a recurring premium without proportional loading on entry, which has been particularly successful with the distribution networks;
- the restyling took place of the OPEN FREE product - which following the changes now appeals to a wider client base - and of OPEN RISPARMIO with a substantial decrease in the loading;
- the UNIT INVESTIMENTO and UNIT RISPARMIO Unit-Linked products were reviewed following the introduction of the new CONSOB regulations.

Policies have almost in their entirety consisted of Separated Management products, featuring clauses which guarantee the repayment of capital and a minimum return, which are particularly popular with clients in times of uncertain economic conditions. Both single premium - utilised also to strengthen the capital maturing segment - and recurring premium and constant annual premium products - which saw a significant increase in new business - were marketed.

The new business relating to the complementary pension segment, implemented through the Individual Pension Plans, recorded a significant increase on the same period of the previous year.

The term life policy DEDICATA, which differentiates policyholders according to their smoking habits, also recorded a good performance.

Finally, specific commercial initiatives were launched by the Sasa Division to support new single premium business and reinvestment in the capital maturity segment. These initiatives enabled a significant increase in the premiums of the respective segments.

Collective insurance and Pension Funds

The Corporate segment, essentially based on insurance coverage related to the number of employees of a company and their remuneration was inevitably affected by the difficult economic situation and the uncertainties regarding the future.

Despite the unfavourable economic situation, in the complementary pension sector of “pre-existing” pension funds, substantial stability was maintained thanks to the operations carried out to encourage a higher amount of contributions from existing clients and also to acquire new clients.

In relation to the products connected to the employee leaving indemnity, the regulations in force, in addition to the credit and liquidity crisis affecting small-medium size enterprises continue to have a negative impact. Despite this, in the last part of the year, some positive signals emerged which resulted in the maintenance of substantial stability in inflows for the year overall, countering the negative trend established over recent years.

The securitization products, recently expanded with new products (special mixed), continued to show signs of recovery on the previous year, already seen in the preceding quarters.

The risk coverage showed positive signs in relation to distribution thanks to the personalisation of the offer for policyholders under collective contracts. The results overall however did not entirely live up to the potential of the sector.
In light of the strong ratio between claims and premiums historically evidenced in the sector, a tariff repositioning was undertaken during the year (adoption of new historically based tariffs) to enable a broader distribution of these products.

The Milano Assicurazioni Open Pension Fund continues to record a contained number of new subscribers, with a stable trend in contributions from existing subscribers.

Reinsurance

The premiums ceded amounted to Euro 13.2 million compared to Euro 14.2 million in the previous year. The reinsurance structure is unchanged, with a proportional coverage in excess and a catastrophic coverage in claims excess provided by the group company The Lawrence Re.

Real Estate Sector

The real estate sector includes the results of the subsidiary property companies of Milano Assicurazioni (Immobiliare Milano Assicurazioni S.r.l., Sintesi Seconda S.r.l., Campo Carlo Magno S.r.l., Fondo Immobiliare Athens). In comparison to the previous year, the subsidiary company Meridiano Orizzonti s.r.l. is no longer included having been incorporated into Milano Assicurazioni in April 2010 with accounting and tax effects backdated to January 1. Following the merger the building held by the company located in Milan, Piazza S.M. Beltrade, 1 is included in the non-life sector.

The pre-tax result in the real estate sector reports a loss of Euro 23.7 million, deriving principally from:

- the pre-tax loss of Immobiliare Milano Assicurazioni S.r.l. (Euro 19.3 million), principally due to property impairments and costs relating to the Citylife project, not yet offset by profits on property sales;
- the loss of the Athens Fund (Euro 4 million), also following impairments on property complexes;

IMMOBILIARE MILANO ASSICURAZIONI S.r.l. - Milano

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

2010 centred on the management of the real estate portfolio and the management support and financing activities concerning investments held in real estate sector companies.
A net loss of Euro 18.1 million was recorded, principally due to property impairments and costs relating to the Citylife project. Impairments were made taking account of the estimated current value of the buildings carried out by a specifically appointed independent expert.

At December 31, 2010, the real estate assets totalled Euro 313 million and were in the residential, office, commercial and land sectors.

The equity investments principally consist of:

- a holding of 27.2% in Citylife s.r.l., with a book value of Euro 78.1 million. The company, whose shareholders originally include, as well as Immobiliare Milano Assicurazioni Srl, Generali Immobiliare S.p.A (ex Generali Properties S.p.A), Allianz S.p.A (ex Ras S.p.A.) and Lamaro Appalti S.p.A., was awarded the international tender by the Fiera Milano Foundation for the redevelopment of the historic former trade fair area of Milan. The project by Citylife Srl which won the award was of a value of Euro 523 million and was completed with the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora.

The investment is for approx. Euro 2.2 billion with a total value of production equal to Euro 3 billion.
In the first half of 2010, Lamaro Appalti sold their entire holding to Generali Immobiliare S.p.A. and Allianz S.p.A., following the revocation by the Fondiaria-SAI Group of the pre-emption right.
Within the context of this revocation and new agreements between the Shareholders, based on a company no longer equally held, Immobiliare Milano Assicurazioni agreed a put option on its shareholding with Generali Properties, in order to reduce the risk of the investment, given the significant size of the investment and its future development. The sales option may be exercised by Immobiliare Milano Assicurazioni until September 30, 2011, in a single transaction and exclusively concerning the entire holding and therefore not comprising a smaller part. The transfer of the share subject to exercise of the option will be based on the condition that the relative authorisations from the competent authorities are granted to Generali Properties and on the prior consent of the Lending Banks, where applicable.
In relation to the real estate project, in 2010, the preliminary activities relating to the new line 5 of the Milan Metro began, in addition to the functional works for the residences at Piazzale Arduino, the Libeskind Residences and the Hadid Residences, the development of the project for the building of a public park and the drawing up of the project for the museum. In addition marketing commenced of the Hadid and Libeskind Residences. The completion of the construction is scheduled for 2015 and the completion of the commercialisation phase is expected by 2016.
In June, the associated company signed with the same banking syndicate a restructuring of the loan contracts which will allow greater flexibility in the use of the credit lines to cover the project costs.

- a holding of 16.67% in IGLI S.p.A., with a book value of Euro 28.4 million, which holds in turn as its only asset approx. 29.96% of the company Impregilo.
  On June 12, Argo Finanziaria, Autostrade per l'Italia, Immobiliare Fondiaria S.r.l. and Immobiliare Milano Assicurazioni S.r.l. signed a renewal and modification agreement of the shareholder pact which includes all those with a holding in IGLI, previously in place and with expiry on June 12. The new agreement substantially confirms the governance rules already in place. On July 5, 2010 the Antitrust Authority announced that this agreement does not constitute a concentration as defined by article 5 c.1 of Law 287/90.

- a holding of 44.93% in **Borsetto s.r.l**., with a book value of Euro 3.2 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress.

At December 31, 2010, payables to the banking system amounted to Euro 69.7 million, of which Euro 56.7 million due within one year.

FONDO IMMOBILIARE ATHENS R.E. FUND

This speculative property fund was created in 2009 and is managed by the group company SAI Investimenti SGR S.p.A. (51% Fondiaria-Sai, 29% Milano Assicurazioni and 20% Premafin), owner of the two property complexes, both rented to Atahotels S.p.A.:

- the hotel real estate complex Petriolo Spa & Resort, located in the Civitella Paganico (GR) and Monticiano (SI) municipalities, previously owned by Immobiliare Lombarda, with a book value of Euro 34.3 million;
- the hotel real estate complex located in Taormina (ME) - Grand Hotel Capo Taormina – previously owned by Immobiliare Lombarda, with a book value of Euro 37.1 million.

The contribution to the consolidated income statement in 2010 was a loss of Euro 4 million, particularly due to impairments on property complexes owned.

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

The Company, acquired by Milano Assicurazioni in December 2005, is owner of a hotel real estate complex at Madonna di Campiglio and of a Golf Hotel. The company signed a rental contract with Atahotels S.p.A. which provides for a fee of 20% of the net annual revenues, with a minimum guaranteed fee. The operation guarantees the company an adequate return on the business, in line with market values for similar operations.
The company recently completed a large restructuring and modernisation project of the hotel real estate complex.
The contribution to the consolidated loss was Euro 0.4 million, stable compared to 2009.

Other Activities Sector

The other activities sector includes the company SOGEINT which provides commercial assistance to the agencies. At December 31, 2010, the company had 67 employees and 69 agencies. The company recorded a breakeven result in 2010.

Asset and financial management

Global economic growth was relatively strong in 2010 at close to 5%; however it was also the year in which a crisis developed in the Eurozone following the increased Sovereign Risk in a number of peripheral countries based on uncertainties surrounding the sustainability of their public account deficits.
The crucial moment in this regard occurred in the first weekend of May when the three-year plan in favour of Greece was approved, in addition to the creation of the European Stability Fund with a value of Euro 440 billion and with a purchase plan for government securities by the European Central Bank launched.
Within this difficult climate, the economic data from the Old Continent improved over the months thanks principally to renewed economic leadership from Germany, driven not just by exports but also private consumption and investments, assisted by an unemployment rate decreasing to the lowest level for 20 years.
In the United States an expansive monetary policy continued with the decision of the FED to purchase - up to an amount of USD 600 billion - US public debt securities in order to counter any risks of deflation and at the same time further stimulate investment and consumption. In relation to the fiscal policy, the Obama administration made an agreement with Congress in order to maintain also for 2011 the tax cuts established by the previous administration, stimulating therefore further growth for the next year, however increasing fears with regard to the spiralling deficit and public debt.
The emerging countries continued to grow apace to the point that - in particular in the second half of the year - measures were taken to offset the possibility of excessive inflation, including an increase in discount rates and also in the amount of obligatory reserves required and with actions taken to discourage excessive capital inflows.
For 2011 global economic growth is forecast at approx. 4.5%. The slowdown which presumably will affect the emerging countries, also due to the above-stated restrictive measures introduced to stem the risks of excessive inflation, will be largely offset by accelerating US economic growth due to the large unutilised production capacity which does not feed inflationary fears from either a fiscal or monetary viewpoint.
In relation to Europe, 2010 economic data overall topped expectations (growth of 1.7% compared to the consensus at the beginning of the year of approx. 1.2%). This is particularly due to strong German growth which accounts for approx. 25% of Eurozone output.
The forecasts for 2011, although on the one hand affected by restrictive policies which must be adopted in the countries with the more extensive problems in terms of Public Debt, will benefit on the other hand from a monetary policy which presumably will be more “accommodating” (a first increase in official interest rates, all things being equal, is not expected before the third quarter of 2011) and a strong global economic environment which can support European exports. In particular China, with its new five year economic plan, may seek to develop more on the back of internal demand rather than exports, therefore favouring exports in the rest of the world (Europe and the USA) and contributing therefore to a revaluation of the Yuan.

In this overall context, the investment policy, more so than choices regarding duration, will be affected by valuations in relation to Sovereign Risk, an issue which will be closely followed. In relation to returns, the common view is toward rising market rates, which should reach levels more in line with the improving economic context.
Exchange rates will also be closely monitored, considering both a possible change in the timing of the exit strategy, and in particular remaining aware of a first increase in official rates by the monetary authorities and the evolving sentiment towards Sovereign Risk of international investors. It must however be added that most likely - despite declarations to the contrary - a not particularly strong Dollar is viewed in the USA as a stimulus for exports and an instrument to reduce the real value of the US public debt.

Bond sector operations

The bond sector was managed taking account of all of the macroeconomic variables and with particular attention on the sustainability of the Public Debt of the various European countries which during the year was a prime consideration regarding the duration of portfolios.

In the Non-Life sector operations principally regarded Eurozone state government securities, with particular focus on Italian securities. The corporate securities sector was managed with a view to diversification and an increase in profitability.
The significant volatility in the spreads between the core countries and the peripheral countries, with Italy seeing a deterioration in its relative yield, due to the contagion effect rather than any actual concrete events, enabled, particularly in the first half year, a high volume of trading activity - benefitting from the large number of new government bond issues.
At a strategic level, the most significant exposure continues toward Italian Government securities which, although in a volatile environment, have provided good returns. The exposure to Greek, Portuguese and Irish bonds was removed in light of the difficulties in the public finances of these countries.
The Government Variable Rate bond component was maintained substantially unchanged in light of the new Italian variable rate Government Bond issues, whose indexing is no longer linked to the Treasury Bills yield but to the Euribor, favouring in this way an asset class in which interest had been lost internationally.

In the Life sector, activities were principally focused on the containment of Portfolio risks and on the maintenance of a satisfactory current and future profit level, in line with the future general economic outlook.

As part of a prudent management, the exposure to government securities issued by peripheral countries was significantly reduced (those of Greece, Portugal, Ireland and Spain).

In relation to the Corporate securities sector, given the strong performances returned, it was considered appropriate to realise some of the gains matured, reinvesting in new high quality issues.
The duration of the portfolio was maintained substantially stable.
The management activities consistently considered the Asset Liability Management profiles of each portfolio, linking the investment and return objectives of Policyholders with the characteristics of the relative insurance liabilities.

Equity sector operations

In 2010 European businesses benefited from the significant growth in the emerging markets and from the internal macroeconomic context, which outperformed the expectations of economists.
In particular, the combination of rather robust economic growth with a cost structure becoming more streamlined after the actions adopted to combat the recession, has pushed up profit margins toward medium term normalised levels.
The financial sector and in particular the banking sector are undergoing problems however which, although improving, have been affected by fears of the stress tests and the negative impacts from the introduction of Basilea 3, as well as not particularly satisfying interest margins.

Investors have in fact focused on the spiralling of State deficits related to the salvaging of financial institutions and the Keynesian policies implemented by individual governments to combat the recession. Decreased GDP, with consequent impacts on tax revenues, extraordinary social security expenses and the expansive monetary policies have generated significant deficits which have caused markets to review country risks, with significant variations between the States.

Therefore the portfolio allocations have been primarily based on geographic considerations rather than segments. One needs only to consider that within Europe alone, the German stock market reports a very strong 16%, outperforming the Italian index by over 29% (FtseMib40 – 13.2%). The Greek (-35%) and Spanish (-17.5%) indices performed worse.

At an operational level, considering that the stock market from the beginning of the year indicated unsustainable growth, the Group introduced a defensive strategy which however became less curtailed in the month of May when the negative issues which were threatening the market had already been incorporated into stock values. In the following months the asset class was tactically managed, with trading favoured by significant volatility in the indices, therefore enabling positive returns to be achieved.

The strategic portfolio suffered from a negative impact within the financial securities which, as previously outlined, continue to lose ground compared to other sectors and with Italy's country risk in the eyes of investors increasing.

The investments at December 31, 2010 compared to the previous year are shown below.
The table also shows the assets and the liquidity, which is important for the correct structure of the balance sheet of an insurance group.

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
INVESTMENTS			
Investment property	1,000,349	1,078,543	-78,194
Investments in subsidiaries, associates and joint ventures	202,391	189,331	13,060
Investments held to maturity	121,798	114,924	6,874
Loans and receivables	660,504	510,588	149,916
AFS financial assets	6,827,511	7,206,593	-379,082
Financial assets at fair value through the profit or loss account	288,590	343,916	-55,326
Total investments	**9,101,143**	**9,443,895**	**-342,752**
Tangible fixed assets: buildings and other fixed assets	64,111	64,369	-258
Total non-current assets	**9,165,254**	**9,508,264**	**-343,010**
Cash and cash equivalents	284,665	247,015	37,650
Total non-current assets and cash and cash equivalents	**9,449,919**	**9,755,279**	**-305,360**

Investment property

Real estate investments are recorded at purchase cost and depreciated systematically over their useful life, with depreciation rates taking into account the different usage relating to the single components. For the buildings wholly owned, the amount depreciated does not include the value attributed to the land, which is not subject to deterioration.

Overall, the book value at December 31, 2010 was Euro 188.7 million lower than the value of the specifically appointed independent experts.
The increase compared to December 31, 2009 principally derives from the following operations:

- the sale of the building located in Milan, Via Cordusio No. 2 for Euro 46.6 million. This is a prestigious mixed use building with a high value based on its architectural characteristics, its location in the historic centre of Milan and the recent investments made which will ensure a significant return. The sales price of Euro 105 million resulted in a gain of Euro 58.4 million;
- depreciation of Euro 27.5 million;
- impairments based on specifically appointed independent experts' valuations for Euro 10.7 million.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures principally include:

- the holding of 35.83% in **Immobiliare Lombarda** with a book value of Euro 9.1 million;
- a holding of 27.2% in **Citylife S.r.l.,** with a book value of Euro 78.1 million. As previously noted, the company was awarded the international tender by the Fiera Milano Foundation for the improvement of the historical area of ex-Fiera, with a project designed by the architects Zaha Hadid, Arata Isozaki, Daniel Libeskind and Pier Paolo Maggiora. The investment is for approx. Euro 2.2 billion with a total value of production equal to Euro 3 billion. The completion of the construction is scheduled for 2015 and the completion of the commercialisation phase is expected by 2016;
- a holding of 16.67% in **IGLI S.p.A.,** with a book value of Euro 28.4 million, which holds in turn as its only asset 29.96% of the company Impregilo;
- a holding of 44.93% in **Borsetto S.r.l**., with a book value of Euro 3.2 million. The Company owns land comprising approx. 3.1 million sq.m., with a building area of approx. 276,000 sq.m., situated in the municipalities of Turin, Borgaro and Settimo. A study to enhance the value of this area which will be dedicated to civil and commercial construction is in progress;
- the holding of 50% in **Valore Immobiliare S.r.l.,** with a book value of Euro 8.1 million. The company owns three buildings in Milan (Piazza Firenze n. 6 - Via Caracciolo n. 16 and Via Cagliero n. 3) and in Rozzano (MI), Via Montepenice n. 6-8-10;
- the holding of 34.65% in the consortium company **Fondiaria-Sai Servizi Group**, with a book value of Euro 11.6 million, which handles the IT and logistical services of the companies of the Fondiaria-Sai Group;
- the holding of 32% in **Garibaldi S.C.A.** with a book value of Euro 45.9 million. The company is involved in the real estate project Porta Nuova Garibaldi which concerns an area in Milan between Corso Como, Piazzale Don Sturzo, via Melchiorre Gioia and the local railway station. The project concerns the development of approx. 50,000 sq.m. for office use, 5,000 sq.m. for residential use, 10,000 sq.m. for retail use and 20,000 sq.m. for

exposition use;
- the holding of 29.56% in **Isola S.C.A.** with a book value of Euro 10.9 million. The company, through its subsidiaries, is involved in the "Porta Nuova Isola" real estate project, promoted and managed by the US group Hines. The area concerned is located in Milan, between Via G. De Castillia and Via F. Confalonieri and involves the development of 29,000 sq. m. divided into: 21,900 sq.m. for residential use, 6,300 sq.m for office use and 800 sq. m for retail use.

The associated company **Atahotels** reports at December 31, 2010 a net equity deficit of Euro 11 million, following the loss in the year of Euro 51.8 million.

Consequently, the carrying value of the investment was written-down and the share (49%) of the net equity deficit was recorded to the account other provisions in the liability section of the balance sheet to cover future recapitalisation needs.
The Board of Directors of Atahotels has approved a request to shareholders for a recapitalisation of Euro 26.8 million in order to support the operating needs, at least in the short-term.
The share of Milano Assicurazioni amounts to Euro 13.1 million.

Investments held to maturity

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

Loans and receivables

The account *loans and receivables* includes:
- debt securities for Euro 553 million, increasing on December 31, 2009 by Euro 213.8 million, principally following the undertaking in "Private Placement" of a number of BTP securities acquired for the purposes of stable investment and not listed on Borsa Italiana;
- loans on life policies of Euro 24.7 million;
- receivables from agents for payment of indemnities at the end of mandates (Euro 58.7 million);
- deposits with reinsuring companies of Euro 2.6 million;
- other loans and receivables for Euro 21.5 million.

AFS financial assets

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

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
AFS financial assets	**6,827,511**	**7,206,593**	**-379,082**
Equity securities and investment fu nds	1,220,747	1,302,351	-81,604
Debt securities	5,606,764	5,904,235	-297,471
Other financial investments	-	7	-7

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

Impairments at December 31 amounted to Euro 380 million, of which Euro 167.6 million already recorded to the half year financial statements at June 30, as detailed in the paragraph below relating to income from financial instruments.

Following the adjustments carried out, the net equity reserve comprising the difference between the average weighted cost and the fair value of AFS financial instruments was positive once again for an amount of Euro 2 million (negative for Euro 148.6 million in 2009).
This reserve includes a negative component of Euro 109.3 million relating to debt securities, a positive component of Euro 93.2 million concerning investment fund units and a negative component of Euro 1.4 million relating to equity securities. The shadow accounting reserve was positive for Euro 13.2 million and the overall tax effect was positive for Euro 6.3 million.
The equity securities, already largely present in the portfolio of the Milano Assicurazioni group at December 31, 2009, recorded a fair value decrease in nearly all cases lower than 50% of the original book value.

Financial assets at fair value through the profit or loss account

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

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Financial assets at fair value through the profit or loss account	**288,590**	**343,916**	**-55,326**
Equity securities and investment funds	48,809	58,350	-9,541
Debt securities	237,673	282,429	-44,756
Other financial investments	2,108	3,137	-1,029

Buildings and other fixed assets

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

Income from financial instruments and property investments

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

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Net income from financial instruments recorded at fair value through profit or loss	-637	66,355	-66,992
Income from subsidiary and associated companies and joint ventures	1,727	2,573	-846
Income from other financial instrumen nts and property investments of which:	*447,351*	*380,455*	*66,896*
Interest income	213,206	250,978	-37,772
Other proceeds	70,063	64,446	5,617
Profits realised	163,821	61,748	102,073
Valuation gains	261	3,283	-3,022
Total income	**448,441**	**449,383**	**-942**
Charges from investments in subsidiaries, associates and joint ventures	-41,355	-50,636	9,281
Charges from other financial instruments and property investments of which:	*-511,752*	*-135,622*	*-376,130*
Interest expenses	-13,726	-15,249	1,523
Other charges	-23,047	-12,509	-10,538
Losses realised	-56,731	-32,468	-24,263
Valuation losses	-418,248	-75,396	-342,852
Total charges	**-553,107**	**-186,258**	**-366,849**
TOTAL NET INCOME/(CHARGES)	**-104,666**	**263,125**	**-367,791**

The table above reports net charges of Euro 104.7 million. The result follows impairments carried out on AFS financial instruments which had an overall negative impact of Euro 380 million.

In addition to the impairments recorded to the financial statements at June 30 of Euro 167.6 million, of which Euro 152 million relating to shares of the parent company Fondiaria-Sai held in portfolio, further impairments of Euro 212.4 million are recorded, of which Euro 93.7

million relating to the holding in Assicurazioni Generali and Euro 90 million relating to the holding in Unicredit.

The adjustments are made in line with the impairment policy of the group, and essentially, on the basis of the standard which requires alignment with the average cost of financial instruments at the stock market values at the end of the period if such value has been continuously lower than the average cost for a period of at least two years. The book values of the above-stated investments at the balance sheet date were as follows:

- Fondiaria-Sai: Euro 6.33 per share, for a total of Euro 63.2 million;
- Assicurazioni Generali: Euro 14.30 per share, for a total of Euro 138.2 million;
- Unicredit: Euro 1.57 per share, for a total value of Euro 79.2 million.

The other financial income/charges include:

- **net income from financial instruments recorded at fair value through profit or loss** were affected by the adjustments based on the stock market values at the end of the year. The comparison must take account that the 2009 total included Euro 23.5 million of profits deriving from the closure of combined put and call options on the Unicredit shares in portfolio;

- the reduction in **interest income** (Euro 213.2 million in 2010 compared to Euro 251 million in 2009) is principally due to the continuation of the expansive monetary policy by the relevant authorities with a maintenance of low base interest rates in order to foster a recovery, which remains tentative;

- **net profits to be realised on investments** amounting to Euro 107.1 million compared to Euro 23.9 million in the previous year and concerning the sale of real estate for Euro 61.1 million and trading profits on financial instruments for Euro 46 million, principally as a result of the trading activity which took advantage of the opportunities offered by an extremely volatile market, within an uncertain economic environment and with fresh concerns surrounding the sustainability of the public debt of some European Union states;

- **charges from investments in subsidiaries, associates and joint ventures** principally include the losses recorded by Citylife (Euro 5 million) and the negative contribution of Atahotels (Euro 30.5 million), deriving from the recognition of the share of the loss for the year (Euro 25.4 million) and the write-down of goodwill previously allocated to the investment (Euro 5.1 million).

  The Citylife result derives from costs relating to the real estate project of the same name under development in Milan, not yet offset by profits on sales of real estate assets, which will be seen in a more advanced phase of the project.

The loss of Atahotels is due to the general difficult economic environment and the crisis in the hotel sector in particular which has been particularly hit by revenues from conferences - an area in which the company is the market leader.
During the year, the measures introduced in the middle of 2009 were strengthened in order to re-establish profitability through the development of revenues, the reduction of costs and the rationalisation of processes, also focusing the activities of the Company within the hotel business and on additional profits.
The interventions made on the revenue front included:

- The development of the commercial network, which involved a total review of the sales organisation, with a more extensive geographic reach and catering more specifically to the client segments and distribution channels and the concentration of activities at the central office;
- Revenue management activity, also through dedicated management instruments, have focused on optimisation of tariffs within a sluggish environment and among growing competition;
- The introduction of web and direct marketing strategies through the creation of a centralised client database;
- The promotion of online sales which increased by over 18% on the previous year, also thanks to a full overhaul and development of the company website. In particular in the last 4-month period, the increase in sales on the Atahotels website doubled;
- The selective purchase of advertising spaces, achieving significant savings on promotional campaigns also through the use of a group company;
- The commencement of the redevelopment project of some buildings, beginning with the Tanka Village and the Atahotel Villa Pamphili.

On the cost side, we highlight the centralisation of some staff functions with savings in terms of resources and the optimisation of processes, as well as the outsourcing of some hotel services in order to render the relative costs more flexible and link them more closely to revenues. The hotel rental contracts with both companies of the Fondiaria-Sai Group and third parties are also currently being reviewed.

The effect of the above-stated actions is only partially reflected in the 2010 financial statements, affected by extraordinary charges, which will become more apparent in 2011.
The benefits in terms of efficiency and quality of service are however increasingly evident and Atahotels today has a more efficient structure, more modern, more solid, with clear and uniform procedures and with more stable IT systems and more detailed management control processes. In addition, the department centralisation activities have improved the contribution and the professionalism of personnel operating in the chain structures.

Treasury shares and shares of holding companies

At December 31, 2010, the parent company Milano Assicurazioni held treasury shares of the direct parent company Fondiaria-SAI and of the indirect parent company Premafin as shown in the table below:

(in Euro thousands)	**Number**	**Amount**
Treasury shares	6,764,860	31,353
Fondiaria-SAI shares	9,982,557	63,156
Premafin shares	9,157,710	7,044
TOTAL		**101,553**

As already described, the book value of shares of the parent company Fondiaria-Sai were aligned with the stock market value at December 31 of Euro 6.3266, recording a total adjustment in value of Euro 166.1 million. The adjustment was calculated according to the impairment policy of the group, already communicated in the 2009 annual accounts and in particular based on the standard which recognises a reduction in value following the recording of a market value continuously lower than the average weighted cost for a period of two years, even if the market value and the balance sheet fundamentals of the relative entity do not correlate.

Corporate governance and shareholder structure report

Annual corporate Governance Report

First Section – The Governance Structure of the Company: General Guidelines

1) Introduction

Information is provided below on the governance structure of the Company and on the implementations of the principles and recommendations contained in the Self-Governance Code of listed companies, prepared by the Committee for corporate governance issued by Borsa Italiana S.p.A. and subjected to successive revision by the Committee (hereafter: the "Code").

The Company commenced, from the year 2006, a progressive updating to the recommendations contained in the new code for the parts not already in line with company practices and concerned, in each case, the operations of the business.

The present report provides information in relation to the compliance of the corporate governance of the Company with the recommendations of the new Code, describing the actions already implemented in 2006 and at the date of the present report and those programmed to apply these recommendations. In the case of non-compliance with the recommendations of the Code, these are clarified and justified.

2) The Corporate Boards

2.1) Board of Directors and Executive Committee

The Board of Directors is responsible for operational activities and the organisational and strategic direction of the Company and the Group, in conjunction with the parent company Fondiaria-Sai, as well as the verification of the existence of the necessary controls to monitor the performance of the Company.
The directors may not be appointed for a period above three years and may be re-elected.

In compliance with the regulation introduced by law no. 262 of December 28, 2005 (hereafter: "Savings Law"), the extraordinary shareholders' meeting of April 24, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the nomination of the Board of Directors, in order that one Director may be elected by the minority shareholders.

In accordance with article 147 of Legislative Decree No. 58/98 (hereafter "Consolidated Finance Act"), as introduced by the Savings Law and in relation to the provisions of the honourability of the directors, these latter must have the requisites required for the holding of office by the special regulations applicable to insurance companies (D.M. 186/1997).

The Board of Directors delegated to an Executive Committee their powers with the exclusion of those expressly reserved to the Board and those which according to law may not be delegated.

In accordance with article 13 of the Company By-Laws, the Company, with the exception of those reserved by law or the company by-laws to the shareholder or board meetings, may delegate their powers to the Chairman, Vice Chairman and/or to one or more of its members, determining the content, the limits and any manner for the exercise of the delegated powers.
In accordance with these statutory provisions, the Board attributed special powers to the Chairman, who also fulfils the office of Chief Executive Officer.
The functions, powers and responsibilities of the Board of Directors, of the Executive Committee and of the Chairman-Chief Executive Officer are described in the second section of the present report.

2.2) Board of Statutory Auditors

The Board of Statutory Auditors undertakes its duties in accordance with Legislative Decree 58/98.

The Statutory Auditors remain in office for three years. The procedure for their appointment, in accordance with law and the by-laws, stipulates that a statutory auditor and an alternate auditor are elected by the minority shareholders and that the Chairman of the Board of Statutory Auditors is deemed as the standing member elected by the minority shareholders.

While awaiting approval of the regulation contained in article 148, paragraph 4 of the Consolidated Finance Act, the requisites of honourability and professionalism of the statutory auditors is established by Ministerial Decree No. 162/2000, in application of Legislative Decree No. 58/98 and the company by-laws.

Consob has established regulatory limits on the accumulation of offices of director or statutory auditor for board members of listed companies.

2.3) Shareholder Meetings and Shareholders

The Shareholders' Meeting is held at least once a year for the approval of the annual accounts and to pass resolutions on all matters put before them by the Board of Directors and in accordance with law.

The share capital, composed of ordinary and saving shares with rights as per the company by-laws, is controlled by Fondiaria-SAI S.p.A. pursuant to article 2359, paragraphs 1 and 1 of the civil code.

Milano Assicurazioni is not aware of shareholder agreements relating to holdings in the share capital of the Company.

3) Management and control

The Company is subject to management and coordination by Fondiaria-SAI pursuant to Article 2497 and subsequent of the Civil Code.

The Company is subject to rules of conduct created by Fondiaria-SAI for the subsidiary companies, in order to ensure compliance with the management and coordination of the Group companies, as well as to guarantee the transparency obligations and those for reporting to the market required by listed issuers are complied with. These conduct rules provide, among others, specific resolutions of the Board of Directors and of the Executive Committee of Fondiaria-SAI on some operations relating to the Company, considered significant based on the nature of the operation or the amount.

Second section - Information on the implementation of the self-governance code

The organisational structures adopted and, where different than those recommended by the Code, the reasons for the choices made, are outlined below.

1) Board of Directors and Executive Committee

1.1) Role of the Board of Directors

The Board of Directors, in addition to exercising powers and complying with the requirements of the civil code, undertakes exclusively, in accordance with law or regulations and/or business practice, the following functions:

a) Examines and approves the strategic, industrial and financial plans of the Company and of its subsidiaries, within the Fondiaria-SAI Group and, in particular, subject to the management and coordination by Fondiaria-SAI and, therefore, within the strategic guidelines provided by the parent company. Examines and approves, in addition, the corporate governance system of the Company and the Group structure. In this remit and in relation to the other boards of the individual subsidiaries, the Board of Directors determines, on the proposal of the Chief Executive Officer, the industrial strategies of the Company and its subsidiaries;

b) Periodically verify the adequacy of the internal control system, assisted by the Internal Control Committee;

c) Evaluates, based on the information and reports received from the executive functions, the adequacy of the organisational, administration and accounting system of the Company and of the Group which it heads, with particular reference to the internal control system and to the management of the conflict of interests, as well as the general operational performance. Approves the company organisational structure;

d) Attributes and revokes powers to the directors and to the Executive Committee, defining their limits and procedures for the exercise of these powers;

e) Determines, after examining the proposals of the Remuneration Committee of FONDIARIA-SAI and after having consulted the Board of Statutory Auditors, the fees of the executive directors and those who hold specific positions, as well as dividing the total fees to which the directors are entitled among the individual members of the board;

f) Examines and approves the operations of the Company and its subsidiaries, when these operations have a significant strategic, economic, or financial importance for the Company, with particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties and, in general, in the transactions with related parties.

In consideration of the fact that the Company is subject to the management and coordination of Fondiaria-SAI, the directors take into account the directives and policies defined for the Group by the parent company Fondiaria-SAI as well as the benefits deriving from belonging to the Group.

The Board also defines the guidelines of the internal control system, in order that the principal risks are correctly identified, as well as adequately measured, managed and monitored.

The Board of Directors is responsible for the internal control system of the Company, defines the directives and periodically verifies the adequacy and effective functioning and is assisted by the Internal Control Committee as per point 3.3 below.

The Chairman-Chief Executive Officer has the responsibility to overview the functioning of the internal control system, identifying the business risks and undertaking the design, management and monitoring of the internal control system, through which he appoints the manager of the Audit department of the Group, covered at point 3.2.4 below.

The Board of Directors annually approves the work plan of the Group Audit function relating to Milano Assicurazioni.

ISVAP, latterly through Regulation No. 20 of March 26, 2008, issued provisions which reserve the central strategic role of the Board of Directors in relation to the definition of the organisational structure, of the decisional processes, of the allocation of powers and employment policies and the management of the risks, in accordance with the provisions deriving from the Savings Law and from the Self-Governance Code of listed companies.

1.2) Composition of the Board of Directors

The composition of the Board of Directors – unchanged from December 31, 2010 except for the resignation from office of the Chairman-Chief Executive Officer, as commented upon previously, currently comprises 17 members – as indicated in a separate section of the present report. The current mandate expires with the shareholders' meeting for the approval of the annual accounts for the year 2010.

The appointment of the directors was deliberated at the Shareholders' AGM of April 21, 2008 on the proposal of the only slate by the majority shareholder.

We recall that the Shareholders' Meeting appointed Salvatore Ligresti Honorary Chairman of the Company, inviting him to attend all the meetings of the Board and of the Executive Committee.

As recommended in the Code, the Board of Directors evaluated the size, composition and the functioning of the Board and of its committees and also that all the necessary and appropriate professional figures are present on the board.

1.3) Executive Committee

In accordance with article 18 of the company by-laws, the Board of Directors delegated to an Executive Committee its powers, with the exclusion of those conferred to the Chairman-Chief Executive Officer or which by law or regulation may not be delegated, and also those concerning all decisions in relation to significant operations with related parties, which are the exclusive remit of the Board. The Board of Statutory Auditors are called to attend Executive Committee meetings.

Subject to the exclusive duties of the Board as described above, there are no attribution of exclusive duties to the Executive Committee in relation to specific types of operations or spending limits.

The resolutions of the Executive Committee are reported to the Board at the following BoD meeting, together with updated information on the operations approved.

As indicated elsewhere in the current accounts, the Executive Committee is currently composed of 8 members, amongst which are the Chairman-Chief Executive Officer and 5 non-executive directors. The current composition is unchanged on December 31, 2010, except for the resignation from office of the Chairman-Chief Executive Officer, as commented upon previously.

1.4) Representative of the Company and delegation of powers by Board of Directors

The Chairman, Vice Chairmen and the Chief Executive Officer represent the Company against third parties and in legal matters.

The delegated management powers of the Chairman, the Vice Chairmen and the Chief Executive Officer, pursuant to article 13 of the By-Laws, are attributed by the Board.

Currently, the Chairman covers the office of Chief Executive Officer. The Board of Directors has delegated to the Chairman-Chief Executive Officer all of the ordinary and extraordinary powers, to be exercised with single signature and with the possibility to confer mandates and legal attorneys, with the exclusive exception of the following powers:

- sale and/or purchase of property above the value of Euro 10 million for each operation;
- sale and/or purchase of investments above the value of Euro 25 million for each operation and, in any case, of controlling interests;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties.

The parties delegated are directly responsible for the deeds undertaken in the exercise of the powers; the entire Board of Directors has a greater supervision power of the direction and control of the overall activities of the enterprise in its various components, ensuring that each director is updated and operates in an informed manner.

The parties delegated report to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the powers attributed to them.

In each case, the Board receives from the Executive Committee and from the executive directors, on the occasion of the individual meetings, exhaustive information on the most important operations, for their size and nature, made by the Company and its subsidiaries. These delegated bodies report, also in accordance with article 2381 of the civil code, on the general operating performance and on the outlook. The same information is provided, in the Board meetings, also to the Board of Statutory Auditors, pursuant to article 150 of the Consolidated Finance Act, also with regard to operations in which the directors have an interest or which are influenced by a party who exercises direction and control.

The delegated boards (executive directors and Executive Committee) provide adequate information to the Board of Directors and to the statutory auditors, in the Board meetings, in relation to extraordinary or related party transactions whose examination and approval are not reserved to the Board of Directors.

1.5) Chairman of the Board of Directors

The Chairman of the Board of Directors convenes and co-ordinates the meetings of the Board and the Executive Committee. The Chairman ensures that the directors and the members of the Committee are provided with, before each meeting, the documentation and the information necessary, except in the cases of necessity and urgency with reference to the nature of the deliberations to be taken, in line with the degree of confidentiality and the timing with which the Board or Executive Committee must assume these decisions. The Chairman, with the agreement of the participants, may invite participation at the meetings of the Board and the Executive Committee - as attendees and/or with consultant duties – of external parties to these meetings. The Chairman of the Board of Directors, in addition, presides over and organises the Shareholders' Meeting. He is also attributed - as described -

powers by the Board, as previously indicated, currently that of the office of Chairman and Chief Executive Officer.

However, it was not considered necessary to appoint a lead independent director, as the Company is subject to the management and coordination of Fondiaria-SAI and, in this context, the Chief Executive Officer of Fondiaria-SAI also covers the role of Chairman and Chief Executive Officer in the subsidiary Milano. The separation of roles is guaranteed however within Fondiaria-SAI.

1.6) Meetings of the Board of Directors and Executive Committee

The Board of Directors meet regularly.

The Executive Committee meets whenever it is necessary to undertake an executive resolution on one or more matters in cases of necessity or urgency with respect to the time necessary to call the entire Board of Directors. By its nature, the Executive Committee does not meet regularly whereby its members are involved in the ordinary management of the Company.

During the year 2010:
- the Board of Directors met 14 times, with an average duration of the meeting of approx. one hour and 30 minutes;
- the Executive Committee met once.

It is expected that a similar number of meetings of the Board of Directors will take place in 2011. At the date of the present report, 3 Board of Directors meetings had been held in 2011 and no Executive Committee meetings had been held.

1.7) Non-executive and independent directors

In addition to the Chairman-Chief Executive Officer - holder, as reported, of delegated powers for the management of the Company attributed to him by the Board - the Executive Director Antonio Talarico is also to be considered as holder of operational powers and directional functions in the group company Immobiliare Lombarda S.p.A., responsible for the management of the real estate assets of the Company and of the Group. The same applies to the Vice Chairman Gioacchino Paolo Ligresti, who covers the role of Chairman, with managerial powers, of Immobiliare Lombarda.

All the directors other than those indicated above are to be considered non-executive, in that they do not hold operational and/or functional directional powers in the operations. In addition to their number, the non-executive directors are for their expertise and authority such as to guarantee that their judgement can have a significant weight on the Board decisions, contributing their specific competences to the making of decisions that conform to corporate interests. The contribution of the non-executive directors is particularly useful on matters in which the interests of the executive directors and those more generally of the shareholders do not coincide. In fact, the non-executive component of the Board may evaluate with greater detachment the proposals and operations of the directors with executive powers.

In accordance with the definitions contained in the new Code, the non-executive independent directors are: Mr. Umberto Bocchino, Mr. Flavio Dezzani, Mr. Maurizio Di Maio, Mr. Mariano Frey, Mr. Francesco Randazzo, Mr. Cosimo Rucellai and Mr. Simone Tabacci. These directors are not considered to fulfil any of the conditions set out in the Code which preclude a director from being considered independent. The Board considers that Mr. Rucellai, who has held the office of director of the Company-already in the previous year- for more than nine of last 12 years, can continue to be considered as independent in consideration of the fact that until 2002 the Company was part of another Group and in any case takes into consideration the independence of judgment which has always been a feature of Mr. Rucellai's conduct.

The number of the independent directors is such as to balance the number of other directors on the Board.

The Board of Directors, most recently in February 2011, verified the independence of the non-executive directors with reference to the indications provided in writing, on specific request of the Company, of each director on the basis of the parameters indicated in the application criteria contained in the new Code. The Board also examined the individual positions of those directors that, due to uncertainty on their qualification or otherwise as independent, had requested the valuation to be made by the Board. Particular attention is paid to the criteria utilised to evaluate the significance of the professional relationships undertaken by some directors with the Company and with the Group, considering for these purposes the qualitative criteria (relevance of the professional relationship under the office held) and also quantitative criteria, with reference to the amount of remuneration both in absolute and relative terms relating to the interested parties.

The Board made similar verifications with reference to independence pursuant to article 147-ter of the Consolidated Finance Act.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members.

Currently there are no formal meetings of the independent directors in the absence of the other directors, nor has a lead independent director been appointed for the reasons outlined above. Exchange of opinions and observations agreed between the independent directors are, where necessary, brought to the attention of the Board of Directors on discussions relating to significant operations of an extraordinary nature. It is considered that the periodic process of self-evaluation of the Board of Directors does not normally require meetings of only independent directors, as each director has the possibility to freely express their opinion on the functioning of the Board, discussing the outcomes in a meeting of the Board.

On the periodic verification of independence, the directors were also required to provide information on any activity exercised in competition with the Company. The Shareholders' Meeting did not authorise any general or specific competitor agreements as per article 2390 of the civil code.

In general, the directors accept the office when they believe they can dedicate the necessary time to a diligent undertaking of their duties, also taking into consideration other offices held in other companies. The directors must be aware of the tasks and responsibilities relating to their appointment. They act and deliberate in a knowledgeable and independent manner pursuing the creation of value for the shareholders. The Chairman-Chief Executive Officer ensures that the Board is also informed on the principal new legislation and regulations relating to the Company and corporate bodies.

1.8) Appointments of the directors in other companies

Pursuant to the Code, the list of the positions of director or statutory auditor held at March 25, 2010 by the Company's directors in other listed companies in Italy and abroad, in financial, banking and insurance companies, and in other large companies is shown below:

Emanuele ERBETTA:

Chairman of:	Banca SAI S.p.A. Eurosai S.r.l. Gruppo Fondiaria-SAI Servizi S.c.r.l.
Vice Chairman of:	Sistemi Sanitari S.c.r.l.
Chief Executive Officer of:	Fondiaria-SAI S.p.A.

Director of:	Atahotels S.p.A. Auto Presto & Bene S.r.l. Consorzio Servizi Logistici S.c.r.l. Consorzio Servizi Tecnologici S.c.r.l. Popolare Vita S.p.A. Fondiaria-SAI Servizi Tecnologici S.r.l. Liguria Assicurazioni S.p.A.

Gioacchino Paolo LIGRESTI:

Chairman of:	Immobiliare Lombarda S.p.A. SRP Services S.A. Saint George Capital Management S.A. STAR Management S.r.l.
Vice Chairman of:	Artnetworth S.r.l. Atahotels S.p.A. Banca SAI S.p.A. Marina di Loano S.p.A. Premafin Finanziaria S.p.A. SAI Investimenti SGR S.p.A. Saiagricola S.p.A.
Director of:	Finsai International S.A. Fondiaria-SAI S.p.A. Gilli S.r.l. Milan A.C. SAI Holding Italia S.p.A. Sailux S.A. Sainternational S.A. Sainternational Lugano Branch S.A.

Cosimo RUCELLAI:

Director of:	Fondiaria-SAI S.p.A. Esselunga S.p.A. Supermarkets Italiani S.p.A.

Umberto BOCCHINO:

Chairman of:	Gas Energia S.p.A.
Director of:	Banca SAI S.p.A. SAI Investimenti SGR S.p.A.
Statutory Auditor:	Acquedotto Monferrato S.p.A. Acquedotto di Savona S.p.A. Genova Reti Gas S.r.l. AEM T.D. S.p.A. Beni di Batasiolo S.p.A.

Barbara DE MARCHI

Director of:	SIAT S.p.A. Sopabroker S.p.A.

Flavio DEZZANI:

Vice Chairman of:	Banca del Piemonte S.p.A.
Director of:	Finconfienza S.p.A.
Chairman of the Board of Statutory Auditors of:	ACI Assicura S.r.l. ACI Immagine S.r.l. Air Liquide Italia S.p.A. Air Liquide Italia Produzione S.r.l. Banca Popolare di Lodi S.p.A. EDIT DATA S.r.l. Release S.p.A.
Statutory Auditor:	ACI Automobile Club Torino ARCA S.G.R. S.p.A. CAP S.p.A. Factorit S.p.A. ITW Italy Holding S.r.l. San Pellegrino S.p.A. Tamigi S.p.A. Università di Torino

Maurizio DI MAIO:

Chief Executive Officer of:	Banca Popolare di Lodi S.p.A.
Chairman of:	Agos S.p.A.
Director of:	Banco Popolare Soc. Coop.

Mariano FREY:

Chairman of:	Roland Berger Strategy Consultants S.r.l.
Director of:	Roland Berger Strategy Consultants Lisbona CIDI S.p.A., Milan
Sole Director of:	Berger Frey Advisor

Giulia Maria LIGRESTI:

Chairman and Chief Executive Officer of:	Premafin Finanziaria S.p.A.
Chairman of:	Gilli S.r.l. Saifin Saifinanziaria S.p.A.
Vice Chairman of:	Fondiaria-SAI S.p.A.
Chief Executive Officer of:	SAI Holding Italia S.p.A.
Director of:	Finadin S.p.A. Finanziaria di Investimenti Pirelli & C. S.p.A. Sailux S.A. Sainternational S.A.

Jonella LIGRESTI:

Chairman of:	Fondiaria-SAI S.p.A. SAI Holding Italia S.p.A.
Vice Chairman of:	Gilli S.r.l. Premafin Finanziaria S.p.A

Director of:	Assonime Associazione fra le società italiane per azioni Finadin S.p.A. Finanziaria di Investimenti Italmobiliare S.p.A. Mediobanca S.p.A. RCS MediaGroup S.p.A.

Fausto MARCHIONNI:

Chairman and Chief Executive Officer of:	Siat S.p.A.
Chairman of:	Atahotels S.p.A. Auto Presto & Bene S.r.l. BIM Vita S.p.A. Pronto Assistance Servizi S.c.r.l. Sistemi Sanitari S.c.r.l. The Lawrence Re Ireland Ltd
Director of:	Alitalia S.p.A. Fondiaria-SAI S.p.A. ANIA (indennizzo diretto R.C.Auto) Assonime Associazione fra le società italiane per azioni DDOR-Novi Sad IRSA Hines Italia SGR S.p.A.
Management Board member of:	Shareholder blocking agreement Pirelli & C. S.p.A.

Massimo PINI:

Chairman of:	Shareholder Agreement - GEMINA S.p.A.
Vice Chairman of:	Fondiaria-SAI S.p.A. Immobiliare Lombarda S.p.A. ADR S.p.A.
Director of:	Finadin S.p.A. Finanziaria di Investimenti
Management Board member of:	Shareholder agreement - RCS

Franceso RANDAZZO:

Director of:	A2A S.p.A.

Salvatore RUBINO:

Chairman of:	Immobiliare Costruzioni IM.CO. S.p.A. Sai Mercati Mobiliari SIM S.p.A.
Vice Chairman of:	Saifin Saifinanziaria S.p.A.
Sole Director of:	Raggruppamento Finanziario S.p.A.
Director of:	SAI Investimenti SGR S.p.A.

Simone TABACCI:

Director of:	Alerion Energie Rinnovabili S.r.l.

Alessandra TALARICO:

Director of:	Italresidence S.r.l. Liguria Assicurazioni S.p.A. SIAT S.p.A. Sopabroker S.p.A

Antonio TALARICO:

Chairman of:	Finadin S.p.A. Finanziaria di Investimenti Marina di Loano S.p.A. Saiagricola S.p.A.
Vice Chairman of:	Fondiaria-SAI S.p.A. Impregilo S.p.A.
Chief Executive Officer of:	Immobiliare Lombarda S.p.A.
Director of:	Atahotels S.p.A. IGLI S.p.A. SAI Investimenti SGR S.p.A.

The Board did not express its opinion on the maximum number of offices of director or statutory auditor held in other listed companies, including abroad, in financial, banking and insurance companies or of a significant size which can be considered compatible with a current undertaking of the office of director of the Company. The Board also considered it preferable to make a specific valuation case by case, on the approval of the present report.

On the outcome of this valuation, the Board considers that the number of offices held by directors and/or statutory auditors held by the Directors in other companies is compatible with an efficient undertaking of the position in the Board of Directors of Milano Assicurazioni, taking into account the nature and the size of the companies in which the offices are held and, in any case, of the companies belonging to the Group. The Board reserves the right to consider, where necessary, the position taken, also in order to provide an indication to the shareholders before the expiry of their mandate in order that they may have an additional element of valuation in the selection of the candidates for the office of director.

1.9) Appointment of the directors

In 2010, the company continued with the approach not to create within the Board a specific nomination committee for the appointment of directors, in consideration of the fact that the ownership of the Company is concentrated and therefore there have never been any difficulties by the shareholders to prepare such nomination proposals for the selection of the candidates.

On the occasion of the appointment of the directors, the shareholders that wish to propose nominations must file the proposal at the registered office of the company before the shareholders' meeting together with the curriculum vitae of each candidate.

At the shareholders' meeting of April 21, 2008 a single slate was proposed by the shareholders before the shareholders' meeting, together with the curriculum vitae of the candidates and distributed to the participants. The candidature is accompanied by a declaration by the relevant party in relation to holding the necessary requisites in accordance with law and the by-laws, as well as the independence of the party. The participants were informed of this before voting at the shareholders' meeting.

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 24, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. In line with the regulatory amendments introduced by Legs. Decree No. 27 of January 27, 2010 the new statutory provisions provide for a period of 25 days before the date fixed for the shareholders' meeting in first call for the filing of the slate at the registered office.

The by-laws also provide that, together with the slate, the declarations in which the individual candidates accept their candidature must be filed at the registered office and the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 147-ter of the Consolidated Finance Act should also be indicated.

They may present slates, alone or together with others, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, alternatively, by Law or by Consob. At the shareholders' meeting of April 21, 2008 which appointed the last Board of Directors, Consob established at 2% of the ordinary share capital the share capital requirements for the presentation of slates.

The directors are elected among the candidates of the slates which are first and second by number of votes, as indicated below:

i) From the slate that obtains the largest number of votes, all of the candidates are elected except the last candidate nominated by progressive number;
ii) From the slate that obtains the second largest number of votes, the first candidate by progressive number on the slate is elected, provided that this slate has obtained a percentage of votes at least equal to half of those requested by the by-laws for the presentation of the slate and providing that this slate is not linked in any manner, even indirectly, with the shareholders who presented or voted upon the slate obtaining the highest number of votes. Where this latter condition is not complied with, account is taken of the slate with the third highest number of votes, provided both of the above-mentioned conditions are complied with, and so forth. Where both the conditions are not complied with reference to all slates other than the first slate by number of votes, all the candidates are elected from this latter.

Each slate must contain and expressly indicate at least two persons that are independent pursuant to the requirements for independence of statutory auditors as per article 148, paragraph 3 of Legislative Decree 58/1998, as supplemented. Where only two candidates meet these requisites, these candidates may not be assigned from the last two progressive numbers of each slate.

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

1.10) Director remuneration

The Board of Directors have not constituted a specific internal committee for the remuneration of directors who are attributed specific offices. This Committee was however set up within the Board of Directors of the parent company Fondiaria-SAI and carries out the following functions, with regard also to the subsidiary companies and therefore among these Milano Assicurazioni:

- Presents to the Board proposals for the remuneration of the executive directors and directors holding specific offices, including based on the results of the Company and/or specific objectives, monitoring the application of the decisions made by the Board;
- Periodically evaluates the criteria adopted for the remuneration of the executives with strategic responsibilities, supervises their application on the basis of the information provided by the Chief Executive Officer of Fondiaria-SAI and formulates general recommendations on the matter to the Board;
- Supervises the realisation of the stock option plans, also proposing to the Board, where necessary, modifications to the plan regulations.

The remuneration of directors is decided pursuant to article 2389 of the civil code, with the favourable opinion of the Board of Statutory Auditors and with the abstention of the parties concerned.

The Board has always determined, upon appointment, the compensation of the directors that are attributed specific offices. The remuneration was determined in fixed measure, without an incentive component, in relation to the undertaking of the ordinary activities related to the office.

In 2010, no bonuses were paid to directors as remuneration in relation to activities carried out.

The remuneration paid to the directors in 2010 is reported in a schedule in the Notes to the financial statements.

No agreements are in place between the Company and the Directors which provide indemnity in the case of resignation or dismissal or revocation of office for good cause or termination of employment following a public purchase offer. Furthermore, no agreements are in place which provide for the allocation or maintenance of non-monetary benefits in favour of those who have left the company, nor consultancy contracts for periods subsequent to employment, nor for the payment of sums under non-competition commitments.

1.11) Stock options plans

On July 14, 2006, the Board of Directors of the parent company Fondiaria-SAI approved the assignment of options of the Fondiaria-SAI 2006-2011 stock option plan for executive directors and management of Fondiaria-SAI, of its subsidiaries, among which Milano Assicurazioni, as well as the holding company Premafin Finanziaria, for the purchase of Fondiaria-SAI saving shares.

The assignment by the Board of Fondiaria-SAI was made in executive of the extraordinary shareholders' meeting resolution of Fondiaria-SAI of April 28, 2006. In relation to the management, the options were therefore assigned also to executives of Milano Assicurazioni, in addition to executives of Fondiaria-SAI which undertake their functions within the centralised structure of the Group, therefore exercising their activities also on behalf of the Company. The number of the options assigned to the individual beneficiaries takes into account the level of responsibility attributed and of the impact of the office held in the activities of the business and toward its results.

The deadline established by the above stated shareholders' meeting of Fondiaria-SAI for execution of the resolution by the Board of Directors of Fondiaria-SAI is established for April 28, 2011.

With regard to the executive directors, it was intended to create, in principle, also in relation to Milano Assicurazioni, an adequate remuneration structure, which facilitates their interests along with the creation of value for the shareholders over the medium-long term period, through the achievement of the Industrial Plan of the Fondiaria-SAI Group. In this manner, it was also considered necessary to comply with the recommendations contained in the Code in relation to linking a part of the remuneration of the executive directors to the financial results of the Company and of the Group.

In addition, the utilisation of the instrument in question also in favour of senior management contributes – in principle - to providing incentive and loyalty and creating the appropriate conditions for the achievement of the objectives of the Plan.

1.12) Significant transactions, and with related parties

The Board of Directors approved specific conduct principles for the undertaking of significant operations and of operations with related parties. In defining these principles, the Board availed, as recommended by the Code, of the support of the Internal Control Committee. This latter, in the undertaking of its consultative functions, was also appointed to undertake a preliminary examination of the operations with related parties - which in accordance with these principles were subject to examination and approval by the Board of Directors or by the Executive Committee.

In line with the conduct principles in question, the guidelines were drawn up (and approved by the Board of Directors) in accordance with ISVAP regulation No. 25 of May 26, 2008, which introduced significant new provisions on the supervision of inter-group operations, including those – in particular – with related parties.

Significant operations

In the attribution to the Chairman-Chief Executive Officer of specific powers described previously with the identification of the value limits, the Board of Directors of Milano Assicurazioni indicated the criteria in order to identify the significant operations, which must be subjected to examination and authorisation by the Board of Directors or by the Executive Committee.

Transactions with related parties (including inter-group transactions)

The following is reported in relation to 2010:

a) The inter-group or related party transactions, including those through subsidiary companies, which due to the nature, value, method or timing could have an effect on the value of the company assets or on the completeness and correctness of the disclosures, including of an accounting nature, relating to the issuer, and for which the issuer must also make available to the public an information document pursuant to article 7 of CONSOB Regulation No. 11971/1999, are reserved to the exclusive and prior approval of the Board of Directors. In 2010, no transactions governed by this regulation were undertaken;
b) They were presented for examination and approval by the Board of Directors or the Executive Committee, normally prior to the transaction, even if within the limits attributed to the Chairman-Chief Executive Officer, a series of inter-group and related party transactions specifically identified by type and value, considered individually or cumulatively with other transactions in the previous twelve months.

It is also noted that, subject to that stated above and in accordance with that established for insurance companies by ISVAP regulation No. 25, the inter-group transactions, including those with related parties, in which at least one of the parties is an insurance company – where such transactions are considered significant according to the quantitative parameters determined by the same regulations - are subject to prior communication to ISVAP. In particular, the transactions with subsidiary companies or holdings of at least 20%, or with the direct and indirect parent company and with the parties controlled by this latter not through Milano Assicurazioni, may not be undertaken before the completion of the silence-approval period by ISVAP.

For the purposes of the implementation of the above-mentioned conduct principles, each director and statutory auditor, as well as executives with strategic responsibilities, are requested to provide a list of related parties. The request was also made to statutory auditors in line with the recommendations of the new Code in order to report the position of the statutory auditors and of the directors with regard to the operations of the issuer in which the statutory auditor has an interest.

A directive was then issued by the Chairman-Chief Executive Officer to regulate the operating procedures for the offices of the Company and the subsidiaries where there are significant operations relating to the parties on these lists.

In general all inter-group transactions and with related persons must comply with criteria of correctness both in substance and in form.

Where the nature, value or others characteristics of the transaction required, the Board of Directors ensured that the transactions with related parties were concluded with the assistance of independent experts for the evaluation of assets and for the provision of financial, legal or technical consultants for fairness and/or legal opinions.

The directors that had an interest in the transaction informed in an exhaustive and timely manner to the Board of Directors on the existence of the interest and on the circumstances, evaluating, case by case, whether the director should leave the meeting at the moment of the resolution or abstain from voting. Where this relates to an Executive Director, he must abstain from undertaking the operation.

In the cases relating to the previous paragraph, the Board of Directors' resolutions provided adequate reasons and the benefits for the Company from the operation.

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On November 30, 2010, the Board of Directors of Milano Assicurazioni approved the "Conduct principles for carrying out significant transactions and those with related parties" document, in compliance with that established by Consob through resolution No. 17221 of March 12, 2010 (hereafter: Consob Regulation).

In approving the above-stated resolution, the Board of Directors took account of the unanimous approval of the Internal Control Committee comprising exclusively independent directors previously appointed by the Board to examine the procedures in question and to draw up its opinion for the Board of Directors.

The new procedures were published on the internet site of the Company on December 1, 2010 and applied from January 1, 2011.

In compliance with that stated above, the Board also approved the updated text of the guidelines for transactions with related parties in accordance with ISVAP regulation No. 25 of May 27, 2010, in relation to which reference is made to the above stated document concerning the procedural aspects of the transactions with related parties.

Transactions with related parties are classified – as established by the Consob Regulation – into three categories:

- significant transactions;
- less significant transactions;
- minor transactions.

Significant transactions concern those for which at least one of the significance thresholds identified in Attachment 3 of the Consob Regulation exceed 5%, specifically:

a) the ratio of the value of the transaction compared to the consolidated net equity – or, if greater, the capitalisation of the Company;
b) the ratio of total assets subject to the transaction compared to the total assets of the Company;
c) the ratio of the total liabilities of the entity acquired compared to the total assets of the Company.

The threshold is reduced to 2.5% for transactions with the direct parent company FONDIARIA-SAI or the indirect parent company PREMAFIN FINANZIARIA or related parties to these latter which in turn are related to the Company.

Significant transactions are exclusively governed by the Board of Directors with prior binding opinion of a specially-instituted committee of directors, all independent, appointed case by case once the Board of Directors has knowledge of the transaction. Referral to the shareholders' meeting is not established for significant transactions upon which the Committee of independent directors expresses a negative opinion.

Less significant transactions are those for which the procedure requires, in line with that established by the conduct principles in force, the involvement of the Internal Control Committee.

Minor transactions are those concerning transactions of a value lower than the limits identified for less significant transactions.

In relation to the preceding conduct principles approved by the Board, the significance threshold for some types of transactions were lowered, therefore extending the amount of transactions with related parties which may be considered as less significant transactions in accordance with the Consob Regulation, as well as those for which subsidiary companies are subject to obligations, with the exception of listed companies and those not subject to direction and coordination.

In addition, the Internal Control Committee appointed, as previously stated, to express an opinion for the Board of Directors in relation to less significant transactions – is no longer limited to verifying that the documentation (including the fairness opinion, and if applicable, legal opinions) are suitable to allow the Board to resolve upon the transaction, but must also evaluate the interests of the Company stemming from the transaction as well as the economic benefit and material correctness of the transaction.

A register of transactions with related parties will also be maintained by the Administration Department.

2) Board of Statutory Auditors

2.1) Composition, role and meetings of the Board of Statutory Auditors

The current Board of Statutory Auditors, in office until the approval of the financial statements at December 31, 2010, is composed of three standing members and two alternative members, which is reported in another part of the present report. They were appointed by the shareholders' meeting of April 21, 2008, in which two slates were presented by shareholders.

With reference to the current composition of the Board of Statutory Auditors, the Chairman of the Board of Statutory Auditors Giovanni Ossola and the alternate auditor Roberto Frascinelli were elected from the slate with the second largest number of votes at the above-mentioned shareholders' meeting.

After the appointment, in accordance with current provisions, the Board of Directors made a formal verification that the statutory auditors appointed by the shareholders' meeting held the requirements to hold such an office pursuant to article 148, paragraph 3, of the Consolidated Finance Act. The Board of Statutory Auditors periodically verifies the requirements of each member, as well as whether the members are independent based on the criteria of the Code with reference to the directors, in accordance with the recommendations of the Code.

The Board of Statutory Auditors reviews the appointment of the independent audit firm. They also periodically hold meetings with the Group Audit Function and participate at the meetings of the Internal Control Committee for the reciprocal exchange of information of common interest.

The Board of Statutory Auditors were requested, as reported, to provide a list of related parties, in line with the recommendations of the Code in order to align the position of the statutory auditors with that of the directors with regard to the operations of the Company in which the statutory auditor has an interest.

In 2010, the Board of Statutory Auditors met 13 times with an average meeting duration of two hours and 30 minutes, in addition to the time necessary for drawing up the reports. It is expected that a similar number of meetings will take place in 2011. Currently, the Board of Statutory Auditors has met once in 2011.

The Board of Statutory Auditors in 2010 attended in 14 meetings of the Internal Control Committee, all of the Board of Directors' and Executive Committee meetings and the shareholders' meetings.

2.2) Appointment of the Board of Statutory Auditors

Following the statutory modifications introduced pursuant to the Consolidated Finance Act, as subsequently modified by the Savings Law, the transparency of the procedure for the nomination of the statutory auditors is assured, which permits one standing member of the Board of Statutory Auditors to be elected by the minority shareholders and that the chairman of the Board is the standing member elected by the minority shareholders.

The By-Laws provide for the appointment of the Statutory Auditors with a voting mechanism of slates.

Pursuant to current regulations and the by-laws, the slates must be filed at the registered office of the Company at least 25 days before the date fixed for the shareholders' meeting in first convocation, except in the cases as per article 144, paragraph 5 of Consob Regulation No. 11971/1999.

Together with the slates, the shareholders must file at the registered office, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate and a list of offices held as director or statutory auditor in other companies.

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, alternatively, by Law or by Consob. At the shareholders' meeting of April 21, 2008 which appointed the last Board of Statutory Auditors, Consob established at 2% of the ordinary share capital the share capital requirements for the presentation of slates.

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

2.3) Offices held by members of the Board of Statutory Auditors in other companies

The office of director or statutory auditor held by the standing members of the Board of Statutory Auditors in other listed Italian companies is reported below:

Maria Luisa MOSCONI

Statutory Auditor: Premafin Finanziaria S.p.A.

The Chairman of the Board of Statutory Auditors Mr. Giovanni Ossola and the Standing Auditor Mr. Alessandro Rayneri do not hold other offices in other listed companies.

3) Internal Control

3.1) Introduction

The current provisions require that insurance companies adopt adequate internal control procedures. ISVAP in turn - since 1999 and, recently, with Regulation No. 20 of March 26, 2008 - defined the internal control system of the companies and the relative functioning procedures, providing indications in order to facilitate, while respecting entrepreneurial independence, the realisation of adequate control systems and risk management, which each enterprise must develop, taking into account the size of their operations and their risk profile.

The internal control system comprises the overall rules, procedures and organisational structures needed in order to ensure the correct functioning and good performance of the enterprise and to guarantee, with a reasonable margin of security:

- The efficiency and effectiveness of the business processes;
- An adequate control of the risks;
- The reliability of the accounting and management information;
- The safeguarding of the company's assets;
- The conformity of the activities of the business with current regulations, directives and business procedures.

Pursuant to the previously cited ISVAP regulation No. 20, the enterprise – in order to maintain an acceptable level of risk in line with available capital, must have an adequate system of risk management, with respect to the size, nature and complexity of the activities exercised, which permits the identification, the evaluation and the control of the most significant risks, which are those risks, which could endanger the solvency of the enterprise or constitute a serious obstacle to the realisation of the enterprise's objectives.

The Company therefore undertook, where necessary, a gradual adjustment of the organisation in accordance with the provisions of ISVAP.

3.2) Control procedures utilised

3.2.1) Line control

Within the Fondiaria-SAI Group, the undertaking of the activities and the relative procedures today provide for control by the individual operating units (so-called "line control"), as well as by the managers of each unit.

3.2.2) Group Risk Management Department

The monitoring of risks is carried out by the Group Risk Management department, which undertakes its activities with regard to all of the Companies of the Group, with the responsibility of:

- Managing the activities to develop and complete the capital risk models functional to the implementation of an efficient and effective Enterprise Risk Management system;
- Undertake recurring monitoring of the risks through the reporting indicators;
- Contribute to the definition of the operating limits and the relative tolerance thresholds relating to the measurement of the risks assigned to the operating structures and draw up the procedures for the prompt verification of these limits;

- Prepare reports for the Board of Directors, the Internal Control Committee, Senior Management and operational managers in relation to risks and the violation of fixed operating limits;
- Defines, together with the other departments involved, the actions to mitigate the risk where the fixed operating limits have been exceeded;
- Communicating, together with the Group Audit function, the periodic reports to Isvap.

The Group Risk Management department also undertakes specific periodic stress testing in relation to the principal sources of risk and reports these results to the Board of Directors.

The Risk Management department of the Group reports functionally to the Board of Directors of the Company and its subsidiaries.

The Board of Directors of Milano Assicurazioni and of its insurance subsidiaries have undertaken the guidelines for the management of the risks and the decisional procedures relating to new investments (so-called Group Risk Policy) approved by the Board of Directors of the parent company Fondiaria-SAI and defined its structure of operating limits, taking into account the peculiarities of the individual businesses and any specific restrictions in terms of risk tolerance.

The document has the following principal objectives:

- formalise the Risk Governance of the Group;
- to set out the principles and structures of the Enterprise Risk Management model of the Group, in order to guarantee a homogeneous approach to risk;
- set out the guidelines and structure of the operating limits of the Group in line with the risk tolerance and strategies of capital allocation of the parent company Fondiaria-SAI;
- formalise the decision making process for new investments in light of the introduction of criteria based on an economic capital approach and the measurement of risk adjusted profitability;
- support, in a general manner, the process to define the strategic choices in relation to risk.

This document should be viewed in the regulatory context of transition of the management of the risk in the insurance sector from the Solvency I regime to the future Solvency II regime. In this regard, the Risk Policy was developed taking account of the provisions of Regulation Isvap No. 20 of March 26, 2008 and the future changes to be implemented contained in the Framework Directive Solvency II document and the Issue Papers set out by CEIOPS.

In November 2010, the Board of Directors of the Company approved an update to the Group Risk Policy, which complies also with the Solvency II Directive, which has been approved. The General Policy is based on the ERM model and the individual policies drawn up in relation to the separate risks identified. The Boards of Directors of Milano Assicurazioni and all of the subsidiaries will be requested to implement these amendments to their internal structures.

Within the Fondiaria-SAI Group a process of adjustment to the above stated Solvency II regime is in course. In this regard the impacts of the new solvency regulations were monitored closely both at the level of the standard formula and of the internal model, whose development is considered particularly important for the advantages which can be derived in strategic, governance and capital management terms.

In relation to this, the Board in the meeting of July 14, 2010, noting the analysis of the risk profile carried out by the Group, and in particular the profile of the specific risks of the Company and of the Group, reported that the internal model served the specific risk profile of the company better than the standard formula and that the internal model should be increasingly utilised in the risk management system and in the decision-making processes; the Board decided to exercise the option established by Directive 2009/138/EC to calculate the Capital Solvency Requirement under the internal model rather than the standard formula and to begin the informal pre-application process towards the approval of the internal model by ISVAP.

The duties of the Risk Management department – also in relation to the creation of any board appointed committees – will be subject to review in accordance with the provisions of Isvap regulation No. 36 of January 31, 2011, which will shortly enter into force.

3.2.3) Group Compliance Department

Risks concerning non-compliance with regulations are the duty of the Group Compliance department, with the responsibility:

- to identify on an ongoing basis the regulations applicable to the company and evaluate their impact on the company's processes and procedures;
- to evaluate the adequacy and efficiency of the organisational measures adopted for the prevention of the risk of non conformity to the regulations and propose organisational and procedural amendments in order to ensure an adequate profile of the risks;
- to evaluate the effectiveness of the organisational adjustments consequent of the suggested modifications;
- to prepare adequate information flows to the corporate boards of the company and other departments involved.

The Compliance department of the Group reports functionally to the Board of Directors of the Company and its subsidiaries.

The Group Compliance department prepares annually, for the Parent Company and each of the insurance subsidiary companies of the Group in Italy, a work plan which is presented to the Board of Directors of Fondiaria-SAI and subsequently presented to the Board of Directors of Milano Assicurazioni.

The manager of the Group Compliance department, in addition, coordinated a specific Compliance and Corporate Governance Coordination Committee, whose permanent members include the Audit department manager and the Risk Management department manager, as well as other Group centralised departments.

Though this Committee, maintaining autonomy and independence from the departments involved, it undertakes, in relation to the internal control system and management of the risks of the Fondiaria-SAI Group, the following objectives:

- guarantees a functional coordination of the departments involved in the governance process,
- guarantees the coordination, while respecting the autonomy, of the plans of the individual departments,
- favours the interchange of knowledge and problems managed by the individual departments,
- defines and agrees intervention guidelines with relative definition of the priority levels.

The Committee, therefore also represents the organisational interface between Audit, Risk Management and Compliance, expressly contained in the above-mentioned ISVAP Regulation No. 20, in order to:

- report the results of the analyses carried out by the various departments;
- report on the areas of improvement and of higher risk exposure;
- cooperates in the identification of new controls as well as in the development of complementary and efficient action plans.

3.2.4) Group Audit Department

The verification of the adequacy, efficiency and effectiveness of the procedures adopted is undertaken by the Audit department of the Group, centralised in the parent company Fondiaria-SAI and functionally reports to the Board of Directors of Milano Assicurazioni and its subsidiaries. The Audit activities also extend to the business processes of Fondiaria-SAI and of Group companies, among which Milano Assicurazioni (also indicating the corrective actions considered necessary) the execution of follow-up activity for the verification of the realisation of corrective interventions and the efficiency of the changes made.

The Board of Directors annually approves the work plan of the Group Audit department, which is prepared independently on the basis of a valuation of the typical operating risks of the Company and its subsidiaries. The Group Audit Department is provided with appropriate means and undertakes their activity in an autonomous and independent manner and do not report to any operating area managers.

This department – which liases with the executive responsible for the preparation of corporate accounting documents pursuant to article 154-bis of the Consolidated Finance Act (hereafter: the "Executive Responsible") in relation to the management model pursuant to law No. 262/2005, as per point 3.4 below - also coordinates with the Internal Control Committee, to which it reports its work, with the Board of Statutory Auditors and with the audit firm of the Company.

The managers of the operating area of the business must ensure that the Group Audit department has full access to all operating structures and all documentation relating to the operating area subject to control. The Group Audit department has contacts with all the officers of the Company and of the Group companies and its manager has the necessary authority to guarantee the independence of the function.

The Group Audit Manager – as illustrated - reports functionally to the Board of Directors of the Company and its subsidiaries.

In addition, following the attribution of a specific Internal Control Committee of the functions in accordance with the Code and as already reported (see point 3.3 below) and having regard to the fact that, among these functions, are the evaluation of the work plans prepared by the Group Internal Audit department and the receiving of their reports, this latter prepares these reports, presenting them to the Internal Control Committee. This latter, in turn, reports to the Board of Directors its opinions of the work plan of the Group Audit department and on the adequacy of the internal control system.

The Board, in accordance with that stated by regulation No. 20 of ISVAP, annually examines and approves the following documents, which are prepared by the Group Audit department, and subsequently transmitted to ISVAP:

- A report on the internal control system and risk management system;
- The corporate and operational organisational structure, specifying the duties attributed to the individual business units and identifying the managers;
- The manner of delegation and establishing power limits;
- The structure of the Group Audit, Risk Management and Compliance departments and the number of employees dedicated to the activities as well as the characteristics and technical-professional experience;
- The internal audit activities undertaken, any deficiencies reported and the corrective actions adopted;

- The strategic information of the Fondiaria-SAI Group and communication technology (ICT) plan, for the part relating to the Company, in order to ensure the existence and maintenance of a highly integrated overall architecture from an application and technological viewpoint and adequate to the entity's needs.

3.3) Internal Control Committee

The Board of Directors has set up an Internal Control Committee, to assist the Board of Directors, which has the duties of analysing the problems relating to the control of the business activities, attributing to it specific functions which have merely a consultative and proposing function, while the deliberations are exclusively the competence of the Board of Directors.

The Internal Control Committee is currently composed of three directors, non-executive and the majority of which are independent, in the persons of Umberto Bocchino, Mariano Frey and Cosimo Rucellai. Mr. Frey is also the lead co-ordinator of the Committee. The composition of the Committee guarantees professionalism and has adequate experience in the undertaking of the role. The Board of Directors resolved to attribute to these directors a special remuneration for the role undertaken.

All the statutory auditors are invited to participate at the meetings of the Internal Control Committee. Minutes are kept of the Committee meetings.

The Internal Control Committee has the role to:

a) Assist the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and, within this system, also the adequacy of the administration and accounting procedures;
b) Assist the Board in the identification and management of the principal business risks which have a significant possibility of occurring;
c) Assist the Board in the definition of the budget and of the intervention plans (with relative priorities) of the activities of the Executive Responsible;
d) Assist the Board, in relation to the application of law No. 262/05, in the supervision:
    - On the implementation of the Action Plan;
    - On the effective compliance with the administration and accounting procedures;
    - On the specific interventions undertaken by the Executive Responsible to verify determined situations;
    - On compliance and procedures for the use of the budget of the activities of the Executive Responsible;
e) Assist the Board of Directors in the definition of the procedures for approval and execution of transactions with related parties;
f) Evaluates the work plan prepared by the Group Audit department and receive periodic reports;

g) Assesses, together with the Executive Responsible, the executives and the external auditors, the appropriateness of the accounting standards applied and their homogeneousness for the purpose of preparing the consolidated financial statements;
h) Evaluate the proposals formulated by the independent audit firms in order to be appointed as auditors as well as the audit work plan and the results expressed in the report and letter of recommendations;
i) Exercise, in the management of the relations with the external auditors, a general supervision of the efficiency of the audit processes undertaken by the audit firm;
j) Supervise on the compliance and periodic updating of the corporate governance rules adopted by the Company and by its subsidiaries.

The duties of the Internal Control Committee will be subject to review in order to eliminate any overlapping with the duties assigned to the Board of Statutory Auditors by Legislative Decree No. 39/2010.

In the undertaking of its consultative functions, the Committee also carried out in 2010 a preliminary examination of related party transactions (including inter-group), in accordance with the guidelines and conduct principles adopted by the Board of Directors of the Company commented upon above, which were subject to examination and approval by the Board of Directors or by the Executive Committee.
As previously stated at point 1.12, the new procedures for transactions with related parties, approved by the Board of Directors on November 30, 2010 and applicable from January 1, 2011, establishes that the Internal Control Committee is appointed to express an opinion to be put to the Board of Directors in relation to less significant transactions with related parties, therefore those established by Consob Regulation No. 17221/2010 above and identified in the procedures.

The Committee reports at least every six months, at the time of the approval of the annual and half-yearly accounts, and informs the Board on the work carried out and the adequacy of the internal control system.

The Committee has an active role in evaluating the work plan of the Group Audit function and of the periodic reports issued.

The Board of Directors also approve the Internal Control Committee regulations, which formalise the principal procedures for its functioning. The Board also assigned an amount to permit the Internal Control Committee, where necessary, to make recourse to external professional advisors for the analysis of specific issues of particular complexity and of risks for the Company.

In 2010, the Committee met 14 times, with an average duration of the meetings of approx. 1 hour and 25 minutes. It is expected that a similar number of meetings will take place in 2011. In 2011 the Committee has already met 4 times.

In particular, in 2010 in the meetings prior to those that the Board of Directors called to approve the draft financial statements for the year ended December 31, 2009, the Committee expressed its favourable opinion on the Group Audit department and considered, at the present moment, the internal control system of the Company to be adequate. The Committee also expressed its opinion:

- that the accounting principles utilised, having consulted with the administrative manager of the Company and the opinions of the audit firm Deloitte & Touche S.p.A., on the basis of the verifications made, are adequate and in accordance with those for the preparation of the consolidated financial statements;
- that, at the current moment, based on the information available, there are no critical elements in the audit of the financial statements of the Company;
- that the governance rules adopted by the Company, to the current knowledge of the Committee and also in relation to the verifications carried out by the Audit function on some aspects, have been complied with and that the report prepared in accordance with the current regulatory provisions was prepared in line with the recommendations issued by Assonime ed Emittenti Titoli S.p.A., taking into account the new legislation introduced and justifying the reasons for the choices made where these are different than those recommended by the Code;
- that the carrying out of the individual activities indicated in the action plan established by the management model as per Law No. 262/05 (reported at point 3.4 below) substantially complies with the time periods and manner established.

On the occasion the Board of Directors' meeting called to approve the half year report at June 30, 2010, the Internal Control Committee confirmed its evaluation on the adequacy of the internal control system, and also did not report any critical elements in the audit undertaken by the audit firm.

3.4) Manager in charge of the preparation of corporate accounting documents

The Board of Directors' meeting of April 21, 2008 appointed the Executive Responsible as Mr. Pier Giorgio Bedogni, Fondiaria-SAI Group Administration Department Manager, among other roles.

In accordance with the provisions of the company by-laws, the Board undertook the appointment with the favourable opinion of the Board of Statutory Auditors and verified the professional qualifications of the person appointed pursuant to the company by-laws which requires that the Executive Responsible is a person of "adequate professional ability who has undertaken management activity in the administrative/accounting sector or finance or management control or internal audit of a company whose financial instruments are listed on a regulated market or that undertake banking, insurance or financial activities or, in any case, is of significant size".
The duration of the appointment was established until the expiry of the mandate of the current Board of Directors.

The Company also adopted a specific management model with reference to application of law No. 262/2005, which introduced the above-mentioned article 154-bis of the Consolidated Finance Act. This management model is integrated into the organisational structure of Fondiaria-SAI and its constitution is based on the fact that the administrative and accounting procedures are part of a wider internal control system, whose responsibility is - and remains - that of the Board of Directors. This latter, however, maintains the general responsibility of direction in relation to the provisions introduced by the above-mentioned law No. 262/2005.

3.5) Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01

The Board of Directors of the Company approved an organisational, management and control Model appropriate to prevent the committing of offences contained in Legislative Decree No. 231 of June 8, 2001, relating to the "Regulation of administrative responsibility of legal persons, of companies and of associations including those without legal form, in accordance with article 11 of law No. 300 of September 29, 2000", which introduced for the first time into Italian law criminal responsibility, which is added to that of personal responsibility.

The Board considered that the adoption of the Model pursuant to Legislative Decree 231/2001 mentioned above, although not obligatory, may constitute a valid instrument in informing all employees of Milano Assicurazioni and all other parties with co-interests, in the undertaking of their activities, and correct conduct so as to prevent the risk of offences as contained in the decree.

In compliance with the provisions of the Decree, the Model approved by the Board of Directors complies with the following principles:
- The verifiability and documentation of all significant operations pursuant to Legislative Decree No. 231/2001;
- The respect of the principal of the separation of the functions;
- The definition of the authorisation powers in line with the responsibilities assigned;

- The attribution to a Supervision Board of the duties to promote the effective and correct implementation of the Model also through the monitoring of business conduct and the constant diffusion of information on the significant activities pursuant to Legislative Decree No. 231/2001;
- The communication to the Supervision Board of the relevant information;
- The creation of specific preventive "controls", specific for the macro categories of activities and related risks, to prevent the committing of the different type of offences contemplated by the Decree (control "ex ante");
- The availability to the Supervision Board of adequate resources to support the duties assigned and the achievement of results reasonably obtainable;
- The activity of verifying the functioning of the Model with consequent periodic updating ("ex post" control);
- The implementation of instruments and diffusion at all company levels of the regulations defined.

The Board approved the setting up of the Supervision Board, which is assigned, through a general plan, the duty to supervise compliance of the Model, to verify the real efficiency and effectiveness of the Model, in relation to the operating structure, to prevent offences pursuant to Legislative Decree No. 231/2001 as well as updating the Model, where there is a need to update this in relation to changed operating conditions. In relation to the composition of the Supervision Board, it was considered appropriate to opt for a mixed composition, with two external professionals with knowledge of the Company and of the Group together with one internal party.

Finally, the Board of Directors on February 15, 2005 approved the Ethical Code of the Company, which recalls the fact that, in the undertaking of its activities, Milano Assicurazioni believes fully in the criteria of transparency and correctness, in compliance with law and in the interests of all stakeholders.

4) Auditing Company

The ordinary Shareholders' Meeting of April 26, 2006 appointed the audit firm Deloitte & Touche S.p.A. auditors for the parent company and consolidated financial statements for the years 2006 to 2011 and the limited audit on the half-year report at June 30 from 2006 to 2011. These appointments conclude on the Shareholders' approval of the accounts as at December 31, 2011.

5) The Shareholders' Meeting and relations with the market

5.1) Shareholders' meetings

The Board of Directors considers the Shareholders' Meeting, although there are many manners of communication with the shareholders, as an important occasion for dialogue between directors and shareholders, especially in respect of the governance rules on price sensitive information.
Normally all of the directors attend the Shareholders' Meetings.

The shareholders' meetings are called through published notices, within the time period established by Law concerning the first call, on the internet site of the company, in the Official Gazette and in the newspaper Il Sole 24 Ore.

The Board reports on the activities of the Company in the Shareholders' Meetings and endeavours to ensure shareholders have adequate information on Shareholder Meeting resolutions.

It was not considered necessary to adopt specific shareholder meeting regulations (taking into account the current provisions contained in the company by-laws, which attributes to the Chairman the powers to direct the Shareholders' Meeting and also contains specific provisions in relation to the functioning of the meeting) considered appropriate to permit a correct and functional undertaking of the meetings.

In the exercise of the powers of management and coordination of the shareholders' meetings conferred by the company by-laws, the Chairman therefore, in the opening of the meeting, communicates to the shareholders' meeting the principles he intends to apply in the undertaking of his statutory functions, fixing the rules before the commencement of the shareholders' meeting proceedings and the manner in which each shareholder has the right to take the floor on the matters under discussion..

The by-laws do not establish any terms for the deposit of shares for attendance at shareholders' meetings.

5.2) General representative of the saving shareholders

The special shareholders' meeting of savings shareholders of April 21, 2009 appointed Mr. Lucio Crispo Common Representative of the Savings Shareholders for the years 2009/2010/2011 and, therefore, until the approval of the financial statements as at December 31, 2011.

5.3) Relations with institutional investors and other shareholders

The Company has always given adequate importance to creating continual dialogue, founded on the reciprocal understanding of roles, with all shareholders and, in particular, with institutional investors and also in compliance with the internal procedures for external communication of documents and information relating to the Company, already previously examined. This is undertaken by the Chairman - Chief Executive Officer.
The Company has nominated the Investor Relations Department of the Group as the function to communicate with the institutional investors, in co-ordination with the other Group management and company interests. The Group Investor Relations Department also communicates with the shareholders, together with the Shareholders' Office.

The Investor Relations Department is responsible for online information through the website of the Company, and is responsible for the publication of forecast information, relations with the Rating Agencies and in general relations with the institutional investors. In addition, together with the Press Office, it is responsible for the publication of press releases and comments relating to market rumours.

The Investor Relations Department can be contacted at the telephone number 011/-6657642 and/or at the e-mail address investorrelations@fondiaria-sai.it.
In order to further promote dialogue with the stakeholders, the shareholders may consult the website of the Group, which is regularly updated.

5.4) Treatment of corporate information

The Company has adopted a consolidated practice, which provides for rules for the management and treatment of corporate information and for the external communication of documents and disclosures, with particular regard to price sensitive information.

The management of the corporate information concerning the Company and its subsidiaries is generally undertaken by the Chairman-Chief Executive Officer. The executives and the employees of the Company and the Group are bound by secrecy obligations in relation to reserved information to which they have knowledge.

All relationships with the press and other mass communication media (or with financial analysts and professional investors) for the divulgence of corporate documents and information must be expressly authorised by the Chairman-Chief Executive Officer. The Company subscribes to the Network Information System circuit, organised and managed by Borsa Italiana S.p.A. for the computerised diffusion of information to the market.

In any case, the procedure is undertaken to avoid that these communications could be made on a selective basis (with preference to certain parties), in an untimely manner or in an incomplete and inadequate form.

The Company has adopted a code of conduct in relation to internal dealing, to govern disclosure obligations - in accordance with law and regulatory provisions issued by Consob - relating to operations on financial instruments undertaken by "relevant persons", considered as parties that, in relation to the office held, have access to confidential information. The Company has also informed the relevant persons of their obligations and responsibilities with reference to operations subject to the code of conduct.

The code is available on the Company's website.

In accordance with applicable law and the above regulations, the Company maintains a Register of the persons, which based on their duties and professional responsibilities or of the positions held, have access to "confidential" information.

In relation to the regulations which govern insider trading offences and market manipulation, at Fondiaria-SAI Group level, a procedure, regarding also Milano Assicurazioni, is implemented relating to all the business areas and in order to reduce the risks which - in the undertaking of the management activities of their portfolio and of the companies of the Group - are undertaken by the Companies against conduct not in line with current regulations. This procedure in particular relates to:

- The operations on treasury shares, of the parent company and of the listed subsidiaries;
- The operations on determined financial instruments;
- The counterparties with which the company operates.

** *** **

Tables are attached which summarise the Company's procedures for adopting the principal recommendations of the Code:

- The first table summarises the structure of the Board of Directors and the Committees;
- The second table summarises the characteristics of the Board of Statutory Auditors;
- The third, and last, table summarises the level of adequacy of the other contents of the Code in relation to the delegation system, transactions with related parties, nomination procedures, shareholders' meetings, internal control and investor relations.

Board of Directors (2010)							Internal Control Committee		Remuneration Committee ♦		Nomination Committee ◊		Executive Committee	
Office	Members	executive	non-executives	independent	***	Number of other offices *	**	***	**	***	**	***	**	***
Chairman – Chief Executive Officer	Marchionni Fausto	X		--	100%	15							X	==
Vice Chairman	Ligresti Gioacchino Paolo	X		--	86%	19							X	100%
Vice Chairman	Rucellai Cosimo		X	X	100%	3	X	100%					X	100%
Director	Bocchino Umberto		X	X	100%	8	X	100% from 22/9/2010					X	100%
Director	De Marchi Barbara		X		86%	2								
Director	Dezzani Flavio		X	X	==	17								
Director	Di Maio Maurizio		X	X	57%	3								
Director	Erbetta Emanuele	X		--	100%	12								
Director	Frey Mariano		X	X	100%	4	X	86%						
Director	Ligresti Giulia Maria		X		93%	9							X	100%
Director	Ligresti Jonella		X		93%	9								
Director	Lo Vecchio Lia		X		71%	2								
Director	Perrone Da Zara Emilio		X	X	== Until 10/6/2010	1	X	== Untill 10/6/2010						
Director	Pini Massimo		X		79%	6							X	100%
Director	Randazzo Francesco		X	X	71%	1								
Director	Rubino Salvatore		X		93%	5							X	100%
Director	Tabacci Simone		X	X	93%	1								
Director	Talarico Alessandra		X		100%	4								
Director	Talarico Antonio	X		--	100%	9							X	100%

♦ Reasons for non-establishment of a Committee: *In 2010, the Board of Directors have not constituted a specific internal committee for the remuneration of directors who are attributed specific offices. The Board unanimously resolved this with the approval also of the Board of Statutory Auditors. The parent company Fondiaria-SAI also set up a Remuneration Committee, whose functions also relate to subsidiary companies and, therefore, Milano Assicurazioni.*
◊ Reasons for non-establishment of a Committee: *the ownership of the Company is concentrated and there have never been difficulties by the controlling shareholder to prepare proposals.*

Number of meetings held in the year	BoD: 14	Internal Control: 14	Executive Committee: 1		

NOTE

* This column indicates the number of offices a director or statutory auditor holds in other companies listed on regulated markets, including foreign markets, and in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.
** This column indicates with an "X" whether the member of the BoD is a member of the Committee.
*** This column indicates the percentage of participation of the director in relation to the number of BoD an d Committee meetings.

TABLE 2: BOARD OF STATUTORY AUDITORS

Office	Members	Percentage of participation at Board meetings	Number of other offices *
Chairman	Ossola Giovanni	100%	0
Statutory Auditor	Mosconi Maria Luisa	100%	1
Sindaco effettivo	Rayneri Alessandro	100%	0
Alternate Auditor	Aldè Giuseppe		
Alternate Auditor	De Re Claudio		
Alternate Auditor	Frascinelli Roberto		
Number of meetings held in the year: 13			
Quorum required for the presentation of slates by minority shareh olders for the election of one or more standing members (as per art. 148 CFA): 2%			

NOTE

* This column indicates the number of offices a director or statutory auditor holds in other companies listed on regulated markets, including foreign markets, in ho lding, banking, insurance or large enterprises.
. The report on corporate governance indicates all offices held.

TABLE 3: OTHER REQUIREMENTS OF THE GOVERNANCE CODE

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
Powers delegated and transactions with related parties			
The BoD has attributed powers defining:			
a) limits	X		
b) functioning	X		
c) and periodical information?	X		
The BoD reviews and approves the transactions of an important economic and financial nature (including transactions with related parties)?	X		
The BoD has defined guidelines and criteria for the identification of "significant" operations?	X		
The above guidelines and the criteria are described in the report?	X		
The BoD has defined specific procedures for the review and approval of operations with related persons?	X		
Are the procedures for approval of transactions with related parties described in the report?	X		
Procedures for the most recent appointment of directors a nd statutory auditors			
The proposal of the candidates for the office of director is made at least ten days in advance?	X		
The candidature for director is accompanied by full and complete information?	X		
The candidature for director is accompan ied by indications of independence?	X		
The proposal of the candidates for the office of statutory auditor is made at least ten days in advance?	X		
The candidature for statutory auditor is accompanied by full and complete information?	X		

Shareholders' Meetings			
Has the Company approved Shareholder Meeting Regulations?		X	*The provisions of the by-laws – which attribute to the Chairman the power to manage the discussions and define the functioning methods of the Shareholders' Meeting – were held to be suitable and allow an orderly functioning of these meetings.*
Internal control			
Has the company appointed persons responsible for internal control?	X		
Are they hierarchically independent from Business Area managers?	X		
Dept. responsible for Internal Control (as per article 9.3 of the Code)	*Group Audit Department*		
Investor relations			
Has the Company appointed an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations	Investor Relations Dept. - Corso G. Galilei, 12 TORINO Tel. 011-6657.642 e-mail: investorrelations@fondiaria-sai.it		

Disclosures on Share Ownership pursuant to article 123 of the Consolidated Finance Act at 22/03/2011

a) Share capital structure

The subscribed and paid-in share capital is Euro 305,851,341.12.

The categories of shares that make up the share capital are as follows:

	No. of shares	% of Share capital	Quoted on	Rights
Number of shares	557.435.774	94,773	MTA-BORSA ITALIANA S.p.A.	(*)
Non convertible savings shares	30.739.882	5,227	MTA-BORSA ITALIANA S.p.A.	(**)

(*) Each Milano Assicurazioni S.p.A. ordinary share has the right to vote in the ordinary and extraordinary shareholders' meetings of Milano Assicurazioni S.p.A.
On the distribution of the profits or on the liquidation of the company the ordinary shares of Milano Assicurazioni S.p.A. do not have any privileges.

(**) The savings share are to bearer. They do not have voting rights and have equity privileges pursuant to articles 24 and 25 of the company by-laws and other rights pursuant to law.
In the case of exclusion from trading of the ordinary or saving shares issued by the company, the saving shares have the rights pursuant to law and the company by-laws.
The saving shares have the right of a dividend up to 5% of the nominal value of the shares. Where the profits for the year do not permit a dividend of 5% to the saving shares, the difference will be included as an increase in the dividend in the two following years.
The profits distributed as dividend by the Shareholders' Meeting are divided among all the shares in order that the saving shares receive a dividend higher than the ordinary shares of 3% of the nominal value of the share.
When the share capital has to be written down to cover losses, this does not imply a reduction of the nominal value of the savings shares, except when the losses to be covered exceed the total nominal value of the ordinary shares. Should the Company decide to distribute its reserves, the savings shares shall enjoy the same rights as the other shares.
Should the Company be wound up, the ordinary shares shall not receive any part of the share capital until the entire nominal value of the savings shares has been reimbursed.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Significant shareholdings

The significant shareholdings of the Company, in accordance with article 120 of the Consolidated Finance Act, are as follows:

Party	Direct holder	% of ordinary share capital	% of voting share capital
FONDIARIA-SAI S.P.A.		64.072	63.630
	FONDIARIA-SAI S.P.A.	60.579	61.323
	FONDIARIA NEDERLAND BV	1.499	1.517
	MILANO ASSICURAZIONI S.P.A. (*)	1.214	-
	SAI HOLDING ITALIA S.P.A.	0.510	0.516
	SAINTERNATIONAL S.A.	0.199	0.201
	PRONTO ASSISTANCE S.P.A.	0.055	0.055
	POPOLARE VITA S.P.A.	0.016	0.016

(*) excluded voting right pursuant to law.

d) Securities which confer special rights

The company has not issued shares which confer special rights.

e) Employee shareholdings: method of exercise of voting rights

There is no share participation programme for employees.

f) Restrictions on voting rights

There are no restrictions on voting rights, except that the treasury shares of Milano Assicurazioni and those held by subsidiaries may not exercise voting rights pursuant to law.

g) Shareholder agreements

To the knowledge of the Company, there are no shareholder agreements pursuant to article 122 of the Finance Act relating to the shares of the Company.

h) Change of control clauses

Loan contracts signed by some direct on indirectly held subsidiaries may provide normal change of control clauses for advance repayment and/or cancellation by the financier in the case of changes in the shareholder structure.

i) Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer

No agreements have been signed between the Parent Company and the directors which provide indemnity in the case of resignation or dismissal/revocation of office without just cause or termination of employment following a public purchase offer. No agreements are in place which provide for the allocation or maintenance of non-monetary benefits in favour of those who have left the company, nor consultancy contracts for periods subsequent to employment, nor for the payment of sums under non-competition commitments, nor finally sucession plans for directors.

l) Nomination and replacement of the directors and changes to the by-laws

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 24, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. The by-laws also provide for a period of 25 days before the date fixed for the shareholders' meeting in first call for the filing of the slates at the registered office, in accordance with applicable regulations, recently amended by the regulation concerning shareholders' rights.

The by-laws in addition provide that, together with the slate, the shareholders must file at the registered office, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 147-ter of the Consolidated Finance Act should also be indicated.

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, by Law or by Consob.

The slates presented by the shareholders must contain a number of candidates not lower than nine and not exceeding nineteen, each coupled to a progressive number.
The number of members on the Board of Directors will be the same number of candidates contained on the slate which obtains the largest number of votes.

The directors are elected among the candidates of the slates which are first and second by number of votes, as indicated below:

- From the slate that obtains the largest number of votes, all of the candidates are elected except the last candidate nominated by progressive number;
- From the slate that obtains the second largest number of votes the first candidate by progressive number is elected, provided that this slate has obtained a percentage of votes at least equal to half of those requested by the by-laws for the presentation of the slate.

In the case of presentation of a single slate or where no slate is presented, the shareholders' meeting votes by statutory majority, without complying with the above-mentioned procedure.

Should one or more directors resign during the year, they shall be replaced in accordance with article 2386 of the Civil Code as follows:

a) The Board of Directors appoints the replacements from the same slate to which the directors resigning belonged and the Shareholders' Meeting makes resolutions, in accordance with statutory majority, respecting this criteria;
b) When the above-mentioned slate does not contain candidates not previously elected or when for whatever reason that stated by letter a) cannot be complied with, the Board of Directors makes the replacement in accordance with the statutory majority, without the voting of slates.

The provisions of letter b) below are applied where the Board of Directors are elected without complying with the voting of slates due to the presentation of only one slate or of no slate.
In the event that the majority of the Directors' offices become vacant, the entire Board shall be deemed to have resigned and must promptly call a meeting of the shareholders to elect a new Board.

m) Powers to increase share capital and authorisation to purchase treasury shares

The Board of Directors does not have powers to increase the share capital pursuant to article 2443 of the civil code.

In relation to the authorisation to purchase treasury shares pursuant to article 2357 and thereafter of the civil code, the ordinary shareholders' meeting of April 22, 2010 approved a further purchase of ordinary and or savings treasury shares, in one or more tranches for a period of twelve months from the present deliberation date, for a maximum increase, taking into account any sales in the period, of 5,000,000 ordinary and/or savings treasury shares of a nominal value of Euro 0.52 each, within a maximum amount of Euro 12,500,000, pursuant to article 2357, paragraph 3, of the civil code, establishing that each purchase must be exclusively made on the regulated markets, in compliance with the provisions and regulations applicable by Consob, according to the operating procedures established by Borsa Italiana S.p.A., which does not permit the joint proposal of negotiating a purchase with a predetermined sale, and also excluding blocking operations, for a unitary payment not above

5% of the average prices recorded on the computerised system of Borsa Italiana in the three previous trading days for each single operation.

Principal characteristics of the risk management and internal control system in relation to the financial disclosure process in accordance with article 123-bis, paragraph 2, letter b), of the Consolidated Finance Act

The Company, in accordance with corporate law and the sector regulations and in line with the indications of the Self-Governance Code for listed companies, is progressively implementing the Internal Control System focused on continuous monitoring of risks typical to the company and the Group through a targeted and systematic mapping of the principal corporate processes and their related risks and controls.

In order to ensure an improvement in terms of quality, transparency, reliability and accuracy of the corporate disclosure and to make the risk management and internal control systems more effective in terms of financial disclosure, the Board of Directors, in fulfilment of the indications introduced by Law No.262 of December 28, 2005 (the so-called Savings Law) for the monitoring of the administrative-accounting system, approved a management model, integrated as part of the organisational structure of Milano Assicurazioni, whose details are based on the requirements that the administrative and accounting procedures are part of a wider Internal Control System, whose responsibility lies with the Board of Directors (hereafter: Management Model).

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

The Company defined the Management Model, in line with the best industry practices, establishing a risk management and internal control system in relation to the financial disclosure process. This system was drawn up based on the following pillars:

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

The Company Level Controls include the aspects of the wider Internal Control System which here relate to, as identified in the CoSO Framework (Committee of Sponsoring Organizations of the Treadway Commission's report, Internal Control—Integrated Framework), the regulations, provisions and mechanisms of control utilised by the Group, with effects on the quality of financial disclosure.

In particular they include the conduct of company managers, the manners of delegating authorisation and responsibility, the policies, the procedures and the programmes at corporate level, as well as the constant monitoring of risks, and the internal and external transmission of financial disclosure.

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

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

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

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

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

- identification of the role and responsibility within each process with establishment of the person responsible for each activity and identification of the various relationships between those involved in the various process phases;

- identification of the existing risks with potential impact on the financial statements through interviews with the managers of the various organisational units involved in each process;
- evaluation of the gross risk profiles, also in relation to fraud, related to the misrepresentation of the balance sheet, financial position and result in the Financial Statements and in the financial disclosure to the market.

  These evaluations were carried out using the following parameters:
  - frequency of possible occurrence, based on the number of times that the risk could be verified in a specific time period;
  - severity of the impact, defined based on the qualitative-quantitative elements related to incorrect administrative-accounting data or disclosure.

  These parameters were evaluated qualitatively according to a High/Medium/Low priority scheme, which establishes the gross risk profile related to the individual activities.
- identification of the control activity, IT or manual, and evaluation of their efficacy in offsetting the risk of untruthful or incorrect representation of the financial disclosure or of lack of traceability;
- define the actions to mitigate the identified risks, in the case in which the controls in place are not sufficient to offset the risk reported or are not sufficiently documented, with establishment of the priority of mitigation actions based on the overall control evaluation;
- implementation and management of a processes/risks/controls database.

With reference to the maintenance of the documentation, the Management Model attributed:
- to the individual Process Owners the management of the various corporate processes for which they are responsible;
- to the Human Resources and Organisation management, the updating of the documentation relating to the corporate processes;
- to the Risk Management department the identification and evaluation of the risks, of their relative controls and any mitigation actions;
- to the Executive Responsible, through a specific dedicated unit, the updating of the administrative-accounting significance of the processes established.

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

For the new corporate processes, the procedure establishes that the Organisational Manager works with the Human Resources and Organisational management to initiate the consequent analysis, recording and design of the process flow. At the same time the Risk Management department establishes the identification of the risks, the identification and evaluation of the control activities and the establishment of any offsetting actions.

The unit operates in accordance with law 262 attributing to the new processes, based on a significance analysis, the administrative-accounting significance, providing communications to the various Governance managers.

In relation to the existing corporate processes, the Organisational Manager has the responsibility to verify on a quarterly basis the correspondence between that documented in the overall documentation and that effectively implemented, communicating any impacts in terms of the modification of the processes and the risks and controls related to the implementation of analyses by the Human Resources and Organisational Management, of the Risk Management department and of the unit implementing law 262.

The Management Model has identified the duties of the Executive Responsible for the preparation of the corporate accounting documents, appointed in accordance with paragraph 1, of article 154-bis of Legislative Decree No.58/9, establishing the methods of interaction between the Executive Responsible, the Board of Directors, the Internal Control Committee and the Delegated Corporate Boards, as well as identifying the organisational solutions and attributing to the various structures the relative responsibilities for the operational support processes to the Administrative-Accounting Model.

The Board of Directors maintains general responsibility in relation to the administrative-accounting procedures, within the wider Internal Control System, as already stated, whose adequacy is monitored by the Board, also through the Internal Control Committee, overseeing the resolution of any critical issues identified by the Chief Executive Officer and the Executive Responsible.
The Internal Control Committee assists the Board of Directors in relation to administrative-accounting governance as established by the management model approved by the Board and reports, at least bi-annually, on the approval of the annual financial statements and the half year report, to the Board of Directors on the activities carried out and the adequacy of the internal control system.

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

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

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

The implementation of these actions is attributed to the individual Process Owners which, with the support of the organisational managers, monitor quarterly the relative state of advancement.

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

Other Information

Litigation

At December 31, 2010, there were 43,204 claims open, of which 33,845 related to the Motor TPL class. During the year, 19,754 cases were defined, of which 17,142 relating to the Motor TPL class.

Performance of Milano Assicurazioni shares

At December 31, 2010, the share capital of the parent company Milano Assicurazioni comprised 588,175,656 shares of Euro 0.52 each, of which 557,435,774 ordinary shares and 30,739,882 saving shares.
In 2010, the price of the shares was between a minimum of Euro 1.0166 (at 30/11/2010) and a maximum of Euro 2.1789 (at 25/03/2010) for the ordinary shares, and between a minimum of Euro 1.1506 (at 30/11/2010) and a maximum of Euro 2.3733 (at 21/04/2010) for the saving shares.

At the year-end, the stock exchange share prices were as follows:

(in Euro)	**31/12/2010**	**31/12/2009**	**Change %**
Milano Assicurazioni ord.	1.1946	2.0546	-41.9
Milano Assicurazioni sav.	1.3250	2.2207	-40.3

The corresponding stock exchange capitalisation at the year-end was Euro 706.6 million (Euro 1,213.6 million at December 31, 2009), lower than the net book value.

In so far as this fact may be seen as an external sign of a loss in value, it is highlighted that the Stock Market listing prices reflect transactions between minority shareholders which do not include the right to control the management policies of the entity. The impairment tests carried out to verify the recoverability of goodwill recorded in the financial statements confirm the correctness of the net equity recorded and, in particular, a recoverable value in excess of the book value for the Cash Generating Units of Milano Assicurazioni.

For detailed information on the impairment tests carried out, reference should be made to part B of the present report and in particular the comment relating to the account *Goodwill*

Business outlook

The initiatives to be taken in the coming months reflect the new Fondiaria-Sai group strategy, recently set out and communicated to the market by the new Chief Executive Officer. In general, the intervention areas focus on:

- improvement of the solvency ratios
- recovery of insurance business profit levels
- real estate operations
- restructuring of the diversified activities
- containment of operating costs

In particular, the focus in the Motor TPL class will centre on an increase in the average policy premium following the tariff changes introduced and a reduction in the flexibility of the agency networks. Settlement times will remain substantially stable, while a reduction in the frequency is expected due both to the initiatives taken to counter fraud and the actions implemented in relation to agencies with particularly poor technical performances.

In the other non-life classes particular attention will be focused on market positioning, with development policies focused on the municipalities and provinces which report satisfying technical performances. The tariff policy will follow the correct technical parameters and emphasis will be placed on modular products which allow their possibility to supplement additional guarantees on top of the basic product. This will allow us to serve the needs of the client better, and at the same time be more in tune with the spending capacity of clients who have been significantly impacted by the recent economic crisis, therefore introducing greater segmentation than previously.
The underwriting policy will focus on the retail client and on the small to medium-size business sector while particular prudency will be exercised in relation to the larger risk and public body sector, which has reported poor performances.

In the life classes greater focus will be placed on the level of service and the assistance of clients in choosing products which best fit their insurance and pension needs.
Investment management will focus more on the containment of volatility rather than on a aggressive profit-driven approach, with consequent benefits for the solvency ratios and greater stability in the separated management income.
In the real estate sector, the focus will centre on improving ordinary income from real estate, while also remaining alert to opportunities that may arise.

Finally, particular attention will be placed on the containment of operating costs through a more stringent resource allocation plan, the elimination of non essential services, the re-launch of leaving incentives for those who have fulfilled their pensionable requirements.

Consolidated Financial Statements

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

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

The balance sheet, income statements, the statement of changes in shareholders' equity and the cash flow statement are prepared according to the format approved by Isvap with Regulation No. 7 of July 13, 2007 and the modifications introduced by Provision No. 2784 of March 8, 2010.
In particular, the comprehensive income statement includes profits and losses which are recorded to net equity as required and permitted by the IAS/IFRS International Accounting Standards; a statement of the other components of the comprehensive income statement are also reported, prepared based on Provision No. 2784.

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

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

BALANCE SHEET - ASSETS

		2010	2009
1	**INTANGIBLE ASSETS**	**250,012**	**270,401**
1.1	Goodwill	231,052	244,131
1.2	Other intangible assets	18,960	26,270
2	**PROPERTY, PLANT & EQUIPMENT**	**64,111**	**64,369**
2.1	Buildings	58,141	58,650
2.2	Other tangible assets	5,970	5,719
3	**TECHNICAL RESERVES – REINSURANCE AMOUNT**	**434,652**	**479,323**
4	**INVESTMENTS**	**9,101,143**	**9,443,895**
4.1	Investment property	1,000,349	1,078,543
4.2	Investments in subsidiaries, associates and joint ventures	202,391	189,331
4.3	Investments held to maturity	121,798	114,924
4.4	Loans and receivables	660,504	510,588
4.5	Financial assets available-for-sale	6,827,511	7,206,593
4.6	Financial assets at fair value through the profit or loss account	288,590	343,916
5	**OTHER RECEIVABLES**	**1,034,818**	**1,174,486**
5.1	Receivables from direct insurance operations	662,794	727,018
5.2	Receivables from reinsurance operations	69,553	100,665
5.3	Other receivables	302,471	346,803
6	**OTHER ASSETS**	**327,893**	**4,333,867**
6.1	Non-current assets or of a discontinued group held for sale	3,451	4,102,633
6.2	Deferred acquisition costs	7,477	27,861
6.3	Deferred tax assets	205,915	105,200
6.4	Current tax assets	42,821	41,422
6.5	Other assets	68,229	56,751
7	**CASH AND CASH EQUIVALENTS**	**284,665**	**247,015**
	TOTAL ASSETS	**11,497,294**	**16,013,356**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

		2010	2009
1	**SHAREHOLDERS' EQUITY**	**1,304,567**	**1,987,923**
1.1	**Group**	**1,303,248**	**1,881,921**
1.1.1	Share Capital	305,851	305,851
1.1.2	Other equity instruments		
1.1.3	Capital reserves	718,147	718,147
1.1.4	Retained earnings and other reserves	980,995	1,181,009
1.1.5	(Treasury shares)	-31,353	-31,353
1.1.6	Translation reserve		
1.1.7	Profit or loss on available-for-sale financial assets	1,989	-148,605
1.1.8	Other gains and losses recorded directly in equity	-3,670	-3,141
1.1.9	Group net loss	-668,711	-139,987
1.2	**Minority interest**	**1,319**	**106,002**
1.2.1	Minority capital and reserves	1,502	104,531
1.2.2	Gains and losses recorded directly in equity	-3	-604
1.2.3	Minority interest profit/(loss)	-180	2,075
2	**PROVISIONS**	**136,139**	**89,801**
3	**TECHNICAL RESERVES**	**9,144,336**	**9,013,937**
4	**FINANCIAL LIABILITIES**	**427,946**	**466,147**
4.1	Financial liabilities at fair value through profit or loss account	61,643	68,215
4.2	Other financial liabilities	366,303	397,932
5	**PAYABLES**	**309,410**	**351,370**
5.1	Payables from direct insurance operations	31,388	42,961
5.2	Payables from reinsurance operations	40,428	37,811
5.3	Other payables	237,594	270,598
6	**OTHER LIABILITIES**	**174,896**	**4,104,178**
6.1	Liabilities of a discontinued group held for sale	0	3,873,999
6.2	Deferred tax liabilities	33,223	56,687
6.3	Current tax liabilities	2,164	
6.4	Other liabilities	139,509	173,492
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**11,497,294**	**16,013,356**

SEPARATE INCOME STATEMENT

In Euro thousands

		2010	2009
1.1	Net premiums	3,464,853	3,430,152
1.1.1	*Gross premiums written*	*3,613,941*	*3,623,895*
1.1.2	*Premiums ceded to re-insurers*	*-149,088*	*-193,743*
1.2	Commission income	874	877
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	-637	66,355
1.4	Income from investments in subsidiaries, associates and joint ventures	1,727	2,573
1.5	Income from other financial instruments and property investments	447,351	380,455
1.5.1	*Interest income*	*213,206*	*250,978*
1.5.2	*Other income*	*70,063*	*64,446*
1.5.3	*Profits realised*	*163,821*	*61,748*
1.5.4	*Valuation gains*	*261*	*3,283*
1.6	Other revenue	166,549	175,285
1	**TOTAL REVENUES AND INCOME**	**4,080,717**	**4,055,697**
2.1	Net charges relating to claims	-3,278,381	-3,086,991
2.1.1	*Amounts paid and changes in technical reserves*	*-3,342,507*	*-3,200,998*
2.1.2	*Reinsurers' share*	*64,126*	*114,007*
2.2	Commission expenses	-82	-120
2.3	Charges from investments in subsidiaries, associates and joint ventures	-41,355	-50,636
2.4	Charges from other financial instruments and property investments	-511,752	-135,622
2.4.1	*Interest expenses*	*-13,726*	*-15,249*
2.4.2	*Other charges*	*-23,047*	*-12,509*
2.4.3	*Losses realised*	*-56,731*	*-32,468*
2.4.4	*Valuation losses*	*-418,248*	*-75,396*
2.5	Management expenses	-668,834	-682,045
2.5.1	*Commissions and other acquisition expenses*	*-541,282*	*-561,061*
2.5.2	*Investment management charges*	*-4,107*	*-5,389*
2.5.3	*Other administration expenses*	*-123,445*	*-115,595*
2.6	Other expenses	-335,182	-289,514
2	**TOTAL COSTS AND CHARGES**	**-4,835,586**	**-4,244,928**
	LOSS BEFORE TAXES	**-754,869**	**-189,231**
3	Income tax	82,697	50,834
	NET LOSS FROM CONTINUING OPERATIONS	**-672,172**	**-138,397**
4	**PROFIT FROM DISCONTINUED OPERATIONS**	**3,281**	**485**
	CONSOLIDATED LOSS	**-668,891**	**-137,912**
	group share	**-668,711**	**-139,987**
	minority share	**-180**	**2,075**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

COMPREHENSIVE INCOME STATEMENT

	2010	2009
CONSOLIDATED LOSS	**-668,891**	**-137,912**
Change in reserve for net exchange differences	-	-
Profit or loss on available-for-sale financial assets	150,548	134,233
Profit or loss on cash flow hedges	- 599	- 1,183
Profit or loss on a net foreign investment hedge	-	-
Change in net equity of holdings	-	-
Change in revaluation reserve of intangible assets	-	-
Change in revaluation reserve of tangible fixed assets	-	-
Income/(charges) on non-current assets or of a discontinued group held for sale	1,322	- 1,322
Actuarial profits and losses and adjustments to employee defined plans	- 605	- 806
Others items	-	-
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**150,666**	**130,922**
TOTAL COMPREHENSIVE CONSOLIDATED INCOME	**- 518,225**	**- 6,990**
group share	**- 518,643**	**- 9,752**
minority share	**418**	**2,762**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

(Euro thousands)

Details of other comprehensive income statement items

	Allocations		Adjustments to reclassifications to income statement	
	2010	2009	2010	2009
Change in reserve for net exchange differences				
Profit or loss on available-for-sale financial assets	- 194,469	78,271	345,060	55,962
Profit or loss on cash flow hedges	- 599	- 1,183		
Profit or loss on a net foreign investment hedge				
Reserve for change in net equity of holdings				
Revaluation reserve of intangible assets				
Revaluation reserve of tangible fixed assets				
Income/(charges) on non-current assets or of a discontinued group held for sale		- 1,322		
Actuarial profits and losses and adjustments to employee defined plans	- 605	- 806		
Others items				
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**- 195,673**	**74,960**	**345,060**	**55,962**

Other changes		Total changes		Income taxes		Balance	
2010	2009	2010	2009	2010	2009	2010	2009
		-	-				
- 43		150,548	134,233	41,452	- 10,655	1,986	- 148,562
		- 599	- 1,183	286	565	- 1,019	- 420
		-	-				
		-	-				
		-	-				
		-	-				
1,322		1,322	- 1,322	- 631	631	-	- 1,322
		- 605	- 806	289	385	- 2,651	- 2,046
		-	-				
1,279	**-**	**150,666**	**130,922**	**41,396**	**- 9,074**	**- 1,684**	**- 152,350**

Statement of changes in Consolidated Shareholders' Equity for the year ended December 31, 2010

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

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

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Balance at 31/12/2008	Change in opening balances	Allocation	Adjustments from reclassifications to Income Statement
Group shareholders' equity	Share Capital	305,851			
	Other equity instruments				
	Capital reserves	718,147			
	Retained earnings and other reserves	1,103,937		80,225	
	(Treasury shares)	-31,353			
	Profit/(loss) for the year	167,916		-220,212	
	Other comprehensive income items	-281,979		74,111	56,122
	Total Group	**1,982,519**		**-65,876**	**56,122**
Minority shareholders' equity	Minority capital and reserves	109,067		-4,536	
	Profit/(loss) for the year	-5,655		7,730	
	Other comprehensive income items	-1,293		849	-160
	Minority share	**102,119**		**4,043**	**-160**
Total		**2,084,638**		**-61,833**	**55,962**

Transfer	Balance at 31/12/2009	Change in opening balances	Allocation	Adjustments from reclassifications to Income Statement	Transfer	Balance at 31/12/2010
	305,851					305,851
	718,147					718,147
-3,153	1,181,009		- 152,095		- 47,919	980,995
	-31,353					-31,353
-87,691	-139,987		- 516,616		- 12,108	-668,711
	-151,746		-195,669	345,060	674	-1,681
-90,844	**1,881,921**		**-864,380**	**345,060**	**-59,353**	**1,303,248**
	104,531		28		- 103,057	1,502
	2,075		- 77		- 2,178	-180
	-604		-4		605	-3
	106,002		**-53**		**-104,630**	**1,319**
-90,844	**1,987,923**		**-864,433**	**345,060**	**-163,983**	**1,304,567**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

CASH FLOW STATEMENT (indirect method)

	2010	2009
Loss before taxes	**-754,869**	**-189,231**
Non-cash adjustments	**759,424**	**224,031**
Change in non-life unearned premium reserve	14,979	5,861
Change in claims reserve and other non-life technical reserves	190,469	142,965
Change in actuarial reserves and other life technical reserves	29,791	-16,831
Change in deferred acquisition costs	0	-808
Change in provisions	46,338	7,973
Non-cash income/charges from financial instruments, property investments and holdings	474,364	99,413
Other movements	3,483	-14,542
Change in payables and receivables from operating activities	**52,483**	**99,945**
Change in payables and receivables from direct insurance operations and reinsurance	86,380	26,830
Change in other payables and receivables	-33,897	73,115
Income taxes paid	**-229**	**-32,023**
Net liquidity generated/absorbed from cash items relating to investing and financing activities	**35,640**	**23,317**
Liabilities from financial contracts issued by insurance companies	-5,977	14,453
Bank and interbank payables		
Loans and receivables from banks and interbank		
Other financial instruments at fair value through profit or loss account	41,617	8,864
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**92,449**	**126,039**
Net cash generated/absorbed from property investments	40,236	-137,718
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	-13,060	93,126
Net cash generated/absorbed from loans and receivables	-149,164	27,177
Net cash generated/absorbed from investments held to maturity	-6,602	-32,688
Net cash generated/absorbed from available-for-sale financial assets	36,789	342,049
Net cash generated/absorbed from intangible and tangible fixed assets	7,976	-286,369
Net cash generated/absorbed from investing activities	225,183	-8,537
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES	**141,358**	**-2,960**
Net cash generated/absorbed from Group equity instruments	-1,404	-4,342
Net cash generated/absorbed from treasury shares	0	
Distribution of Dividends relating to the Group	-58,621	-87,691
Net cash generated/absorbed from minority interest capital and reserves	-104,503	1,808
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	31	-20,971
Net cash generated/absorbed from other financial liabilities	-31,660	50,063
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	**-196,157**	**-61,133**
Exchange difference effect on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	247,015	185,069
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	37,650	61,946
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	284,665	247,015

Explanatory Notes

Information on the group and activities carried out

Milano Assicurazioni S.p.A. is a leading insurance player on the Italian market, operating in the non-life and life sectors, with consolidated annual premiums of over Euro 3.6 billion and a sales network of over 2,000 agencies spread throughout the country.

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

Milano Assicurazioni is controlled by Fondiaria-Sai which exercises management and co-ordination pursuant to article 2497 bis of the civil code.

PART A - Accounting Principles

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

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

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

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

The financial statements were prepared on the going concern principle. There are no uncertainties or events or conditions which could give rise to doubts on the capacity to continue to operate as a functioning entity.

Section 2 - Consolidation scope and consolidation methods

CONSOLIDATION PRINCIPLES

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

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

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

FINANCIAL STATEMENTS UTILISED FOR THE CONSOLIDATION

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

CONSOLIDATION PRINCIPLES

Line-by-line

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

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

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

Accounting under the Net Equity method

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

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

Consolidation adjustments

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

- The dividends received from consolidated companies or valued under the equity method were eliminated;
- The significant inter-group balances and transactions were eliminated with the exception of those relating to operations with companies valued under the equity method;
- The profits from sales/purchase operations made between Companies of the Group were eliminated, even if valued under the equity method. Similarly, the losses deriving from operations between Companies of the Group were eliminated, unless such losses reflect a permanent loss in value of the assets transferred.

The merger deficits generated following mergers between companies within the group and recorded in the statutory financial statements of the Parent Company, increasing the value of asset accounts, were eliminated in the consolidated financial statements, in that in these latter the consolidation differences were maintained deriving from the elimination of the carrying value of the individual investments incorporated against the relative share of net equity, allocated to the assets or recorded in the Goodwill account.
The merger operations, in fact, only produce the legal effects of that expressed in the consolidated financial statements; where the merger deficits were not eliminated this would result in a duplication of the pre-existing values within the consolidated financial statements.

Date of the consolidated financial statements

The Consolidated Financial Statements are as of December 31, 2010, a date coinciding with that of the financial statements of the line-by-line consolidated companies.

Currency

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

Section 3 - Accounting principles

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

1. INTANGIBLE ASSETS

Goodwill

The account includes the goodwill deriving from business combinations; in accordance with appendix B of IFRS 1 (first time adoption of IAS), the company opted not to apply IFRS 3 to the business combinations before the transition date to the IAS/IFRS. The goodwill resulting from the financial statements prepared in accordance with Italian GAAP were maintained for the amount already recorded, with prior verification of their value.

In particular, the amount includes:
- the goodwill recorded following the merger by incorporation of Lloyd Internazionale S.p.A. in 1991;
- the goodwill recorded in 1992 following the acquisition of the insurance portfolio Card S.p.A.;
- the goodwill deriving from the acquisition of the insurance portfolio of Latina Assicurazioni in 1992;
- the goodwill relating to the life portfolio of La Previdente Assicurazioni, originally acquired from La Previdente Vita (formerly Latina Vita) in 1993;
- the goodwill relating to the acquisition of the insurance activity of Maa Assicurazioni S.p.A. in 1995 and from the accounts of the incorporated Nuova Maa;

- the goodwill deriving from the acquisition of the portfolio of insurance contracts of Profilo Life, in 2001 and from the accounts of the incorporated Maa Vita;
- the goodwill accorded in 2003 following the merger by incorporation of Maa Vita, corresponding to the difference between the carrying value of the investment and the net equity book value.

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

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

Other intangible assets

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

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

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

This account principally comprises:

- The VOBA relating to Liguria Assicurazioni, amounted to Euro 17,150 thousand recorded in 2008 following the consolidation of the relative investment. The amortisation in the year amounted to Euro 7,096 thousand.

2. PROPERTY, PLANT & EQUIPMENT

Buildings

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

The Company decided to utilise cost as the valuation principle. In the first-time application, as permitted by IFRS 1 (First time adoption of the International Financial Reporting Standards), the value redetermined in accordance with the previous accounting principles was utilised as a replacement of the cost.
In particular, concerning the revaluations of the buildings made in previous years, they were not removed in the re-determination process of the costs, as it was considered that utilising the amortised cost reflected the change in the price indices.

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

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

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

Other tangible assets

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

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

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

4. INVESTMENTS

Fair value policy

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

An official listing on the active market (1) is the best indicator of the fair value; these listings are therefore the first choice for valuation of financial assets and liabilities as fair value (level 1 of the hierarchy of fair value (as per IFRS 7).

[1] The financial instrument is considered listed on an active market when the relative price is promptly and regularly made available by stock market valuers, operators and brokers and this price is based on effective market operations, concerning normal transactions or potential transactions which could be carried out on these bases. Instruments admitted to trading on regularly managed markets or systematically dealt on “alternative” trading circuits as opposed to official markets are included in this category, whose prices are considered significant, as well as those recorded by contributors who operate as primary intermediaries on various markets, where the proposed prices represent the potential transactions.

Where the market is not regularly operating (2), it is necessary to use another indicator rather than the direct reference to market prices such as the application of theoretical models (mark to model) which, particularly utilising observable market parameters, can determine an appropriate fair value of the financial instruments (level 2 of the hierarchy of fair value).

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

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

No disclosure is made for the instruments whose book value is reasonably close to the fair value such as trade receivables and payables.

The Milano Assicurazioni Group carried out an analysis of the various fair value levels utilised for the valuation of financial assets and liabilities at December 31, 2010 and are summarised below:

- Level 1 of Fair Value. The valuation is the market price of the same financial instrument subject to valuation, based on listings on an active market.

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

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

- Level 2 of Fair Value. The valuation is not based on significantly sizeable listings of the same financial instrument subject to the valuation, but indicative valuations created by infoproviders and contributors considered reliable, or on prices determined utilising a relevant methodology (mark to model) and observable market parameters, including the credit spread of the official list price of similar financial instruments in terms of risk factors. These methodologies allow the reproduction of listed financial instrument prices on active markets excluding discretional parameters which may significantly influence the final valuation price.
- Level 3 of Fair Value. The valuations are carried out utilising various inputs, not all concerning observable market parameters and utilising therefore estimates and assumptions of the assessor. In particular this approach provides for the valuation of financial instruments utilising a calculation method which is based on, among others, specific parameters regarding future cash flows and the level of input based on parameters non listed on active markets, whose estimate however utilises information acquired by prices and spreads observed on the market. In the cases where such information is not available, reference is made to historical data of the specific underlying risk factors or on specialised research.

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

It is noted that:

- In level 2, the assets included relate to Class III policies and corporate bonds with subordination clauses determined using alternative valuation models, developed internally on the basis of parameters commonly utilised by the operators (mark-to-model), taking into account that the relative trading markets do not yet express, at the end of the year for trading volumes and reliability, sufficiently predictable listings;

- The Fair Value level 3 includes the investment in the Bank of Italy, previously recorded at cost. In the current year, this investment was recorded at fair value taking account of common market practices and the consequent greater availability of information in this regard as well as the future application of IFRS 9, which establishes fair value valuation for all security instruments;

- no significant portions of financial instruments were transferred from level 1 to level 2 or vice versa.

Investment property

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

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

In the first-time application, as permitted by IFRS 1 (First time adoption of the International Financial Reporting Standards), the value redetermined in accordance with the previous accounting principles was utilised as a replacement of the cost. In particular, concerning the revaluations of the buildings made in previous years, they were not removed in the re-determination process of the costs, as it was considered that utilising the amortised cost reflected the change in the price indices.

In accordance with IAS 40 the value of the buildings is subject to depreciation on the basis of the estimated useful life of the asset. For the buildings wholly owned the depreciation was made separately on the building construction values (with depreciation rates between 1.7% and 3.3%) and of the plant (depreciation rates between 6% and 8%) excluding the value of the land on which the assets are located.

The account also includes the payments on account made in relation to buildings under construction or development as per IAS 40.9(d).

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

Investments in subsidiaries, associates and joint ventures

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

Reclassification of financial instruments

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

Loans and receivables

The account includes the loans as per IAS 39, with exclusion of the trade receivables, the reinsurance deposits held at the reinsurers, as well as the receivables from agents for sub entering agencies terminated.
On first recognition they are recorded at fair value increased by any transaction costs directly attributable. Subsequently, they are recorded at amortised cost which is, in summary, the amount in which the asset is initially valued increased or decreased by the amortisation, determined with the effective interest rate, of any difference between the initial value and the repayment value.

Investments held to maturity

The account includes non-derivative financial instruments with fixed or determinable payments, with a fixed maturity date, which the Group has the full intention and capacity to maintain until maturity.
In accordance with IAS 39 (Financial instruments: recognition and measurement), the initial recognition of these financial instruments is made at fair value inclusive of the transaction costs directly attributable to the purchase.
The fair value is the amount at which an asset can be exchanged between knowledgeable and expert counterparties at arm’s length and generally corresponds to the transaction price.
On subsequent valuations, the financial instruments included in this category are valued at amortised cost, calculated utilising the effective interest rate method.
The amortised cost of a financial asset is the value in which this asset was measured at the initial recognition less any repayments of capital, increased or decreased by the total amortisation of the difference between the initial value and that on maturity, calculated utilising the effective interest rate method.
The effective interest rate is that which equates the current value of a financial asset to the contractual payments and future receipts of cash at the maturity date.
In substance, the logic of the amortised cost is to accrue over the duration of the contract the economic components which otherwise would be recorded as a charge or as income on the moment of collection or payment.

AFS financial assets

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

Subsequently, the AFS financial instruments are valued at fair value, with recording to net equity of the differences from the initial value. The fair value is calculated according to the fair value policy guidelines previously described.

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

Impairment on AFS financial assets

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

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

The identification criteria of a prolonged or significant decrease in the fair value of financial instruments classified as available-for-sale were revised to take account of the indications of the “IFRIC Update” document of July 2009 as well as the joint Bank of Italy/Consob/Isvap document No.4 of March 3, 2010.

And therefore, it is noted that:

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

Therefore for the purposes of the objective recording of the reduction of value, the Group has defined the conditions of a prolonged and significant reduction of fair value, defined alternatively as follows:

1. a reduction of the market value above 60% of the original cost at the reporting date of the accounts;
2. a market value continuously lower than the original cost for a period of two years;

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

The level of reduction of the market value compared to the original cost, for the recognition of impairment, was reduced from the 80% previously utilised to the current 60% in order to align with the prevalent utilised insurance market practices. The change did not have significant effects on the result.

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

1. Strategy and/or significant investments (in terms of carrying value and losses): they were subject to analytical valuations, conducted both internally and through independent experts’ opinions.

2. Other investments: given their fragmentation and the lower amount of the related losses, an impairment test is only made in the presence of one of the qualitative factors as per paragraphs 59 and 61 of IAS 39, confirmed by further analytical evaluations.

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

Based on the methods described above, the reduction in value for impairment relating to the AFS assets amounts to Euro 380 million and are summarised in the following table:

(in Euro millions)

Shareholding investments	371.4
Investment fund units	8.6
Total	**380.0**

A reversal of impairment was calculated on bond securities with a recording to the income statement of Euro 0.3 million due to the increase in the listed prices on the end of June 2009 in which the impairment was recorded.

Financial assets at fair value through the profit or loss account

The account includes the short-term financial assets held for trading as well as the financial assets designated in this category, within the limits permitted by IAS 39. The account includes the financial assets relating to index and unit-linked insurance or investment contracts (as per IFRS 4.IG2) issued by insurance companies.
On first-time recognition, these assets are recorded at fair value which generally corresponds to the price paid for their acquisition.

Subsequently, the financial instruments at fair value recorded in the income statement, as indicated by the name of the category, are valued at fair value, recording the difference between the fair value and the initial value in the income statement.
For the listed financial instruments on active markets the fair value is the current market price at the reference date while, for the non-listed financial instruments, it is the price determined based on adequate valuation techniques.

5. RECEIVABLES

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

6. OTHER ASSETS

Deferred acquisition costs

They include the share of commissions on long-term life division contracts to be amortised which are broken down based on the duration of each contract and however for a period not greater than 10 years.

Current and deferred tax assets

The current tax assets relate to receivables of a tax nature defined and regulated by IAS 12. In particular, they include, the assets deriving from the accounting of taxes pursuant to article 1, paragraph 2 of Legislative Decree No. 209/2002 as enacted into law by article 1 of Law 265/2002, as supplemented (taxes on actuarial reserves).

The deferred tax assets include the positive fiscal effect determined in relation to the temporary differences between the fiscal values recorded and those recorded in accordance with IAS principles.

The recording of the deferred tax assets (and of the deferred tax liabilities under liabilities) allows the correlation of the tax charge recorded in the financial statements with the gross result before taxes, both for the years in which these differences arise and in the future years when these differences are reversed following, for example, the sale of the activities to which they refer, to the recovery through amortisation or the settlement of liabilities.

Non-current assets or of a discontinued group held for sale

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

Other assets

The account includes the transitory reinsurance accounts, the deferred commissions relating to contracts not within the application of IFRS 4 and the other assets of a residual nature which are not within the previous accounts.

Service contracts related to financial policies

The index-linked and unit-linked of a financial nature are separated between:

- financial contract components (IAS 32 and 39)
- components to service contracts (IAS 18)

With reference to the service component, IAS 18 provides that:

- revenues and costs of the operation must be recorded simultaneously;
- the associated revenues and costs for an operation which results in services must be recorded with reference to the stage of completion of the operation.

The stage of completion can be recorded thorough various methodologies, in particular, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

7. CASH AND CASH EQUIVALENTS

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

LIABILITIES AND SHAREHOLDERS' EQUITY

1. SHAREHOLDERS' EQUITY

Share Capital

The account includes the share capital of the parent company Milano Assicurazioni, recorded at the nominal value of the shares fully subscribed and paid in.

Capital reserves

The account includes, in particular, the share premium reserve of the company which is consolidated.

Retained earnings and other reserves

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

Treasury shares

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

Profit or loss on AFS financial assets

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

Other gains and losses recorded directly in equity

The account includes profits or losses recorded directly in equity and in particular:
- the recording of the actuarial gains and losses relating to the Employee Leaving Indemnity for the part matured at the transition date to IAS/IFRS international accounting standards and for the part matured subsequent as permitted by EU regulation No. 1910 published in the official EU Gazette of November 24, 2005;
- profit or loss on cash flow hedges;
- income/(charges) on non-current assets or of a discontinued group held for sale.

Minority interest capital and reserves

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

2. PROVISIONS

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

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

3. TECHNICAL RESERVES

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

NON-LIFE DIVISION

Premiums reserve on direct insurances risks

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

Claims reserve on direct insurances risks

This reserve includes the total amount of the sums that from a prudent evaluation made based on objective elements and separate for each claim, are necessary against the payment of the claims during the year or in previous years, and those still not paid, as well as the relative settlement expenses.

In accordance with the provisions contained in ISVAP regulation No. 16 of March 4, 2008, the reserve for claims reported was determined from a separate and analytical evaluation of the cost of each claim reported and not fully paid at the year-end and valued at the last cost, taking into account all the future foreseeable costs based on historical data and reliable projections.

The reserve recorded in the accounts represents the result of a multi-phased complex technical valuation, which arises from a preliminary valuation made through an analytical analysis of the single positions open, followed by a process, assigned to a management level within the company, which utilises statistical-actuarial methods in order to determine the measure of the last cost of the claims.

In the case of non reporting of the reserves by the settlement offices a statistical average cost reserve is applied.

Motor TPL
From February 2007, a direct compensation procedure has been in place which, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company.

In this context, the Motor TPL reserve was valued as follows:
- The Fisher Lange method was utilised as the actuarial statistical benchmark method in that, taking account also of the number of claims, it permits the estimate of the reserve without neglecting any changes to the settlement policies due to the direct indemnity. In order to apply this method the historical series of claims caused by policyholders of the company was updated with the claims managed by the company from the beginning of the new settlement regime;
- In support of the Fisher Lange method, it was considered appropriate to utilise the Chain Ladder and Bornhuetter-Ferguson methods to weigh the Fisher Lange estimate. It is noted that the Chain Ladder is useful due to the ease in obtaining the requested information (simply know the cumulative amounts paid of the individual generations) on the other hand it requires that the fundamental assumption of the constant progression of the cumulative payments is satisfied over time.

The late reported claims reserves was established based on a method which calculates the numbers and amounts based on experience over previous years, taking account of the numeric development of late claims and the relative average costs.

Finally, on the basis of the four fundamental assumptions needed for the Fisher-Lange method (speed in settlement, rate of claims accepted, average base cost, future inflation of the average costs) various scenarios were considered for the sensitivity analysis of the results provided by the method.

For the claims within the CARD Management regime, the reserve was recorded net of the recoverable flat-rate fees established for each year, defined by the Technical Committee set up under Pres. Decree No. 254/2006;

For the claims within the CARD Debtor regime, the valuation was made based on the once-off amount due to the management companies.

Other Non-Life Classes
The determination of the last cost was made on the basis of the reserves of the liquidators, adjusted to take into account past experience in relation to the changes in the claims reserve.
The claims reserve includes also the total amount of the sums necessary to cover previous year claims not yet claimed at the year-end (I.B.N.R. claims reserve).

The last cost of these claims is estimated with reference to the historical data of previous years and in particular the observation, by individual insurance division, of the late claims made in comparison to the year of occurrence of the event giving rise to the claim.

Other technical reserves

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

Unearned premium reserve on indirect business

The reserve is calculated based on the communications received from the reinsurance companies; where this has not been received, appropriate rates are applied to the premiums written and the related risks still in course at the year-end, taking into account the specific regulations for insurance for Credit, Bonds, Hailstorm and other natural calamities and damage coverage related to nuclear energy.

Claims reserves on inward reinsurance risks

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

LIFE DIVISION

Technical reserves on direct insurances risks

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

The account also includes the additional reserve for financial risk and demographic risk. Among the additional reserves for financial risk, we highlight the additional reserve for guaranteed interest rate risk, calculated in accordance with the provisions of articles 47 and 48 of ISVAP regulation No. 21/2008.
The provision for this reserve derives from the higher cost that the company must incur against the difference between the interest rate guaranteed to the policyholders and the current and expected returns on the assets represented by the actuarial reserves, calculated in accordance with the provisions of the previously stated Regulation 21 (art. 38-46).

The additional reserve for demographic risk, made in line with articles 50, 51 and 52 of ISVAP Regulation No. 21, provides for the higher cost that the company must incur against the average extension of the human life for the annuity tariffs or where the option for conversion of capital to annuity exists.

For the products in accordance with article 41, paragraphs 1 and 2 of Legislative Decree 209 of 7/9/2005, as well as the Open Pension Funds, the calculation is made analytically contract by contract, adopting assumptions that represent with maximum approximation the value of the underlying assets.

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

The accounts also includes the adequacy of the actuarial reserves relating to the contracts included in the separated management of the life classes, made applying the shadow accounting as per paragraph 30 of IFRS 4. With the utilisation of this accounting method, which represents a non obligatory but optional choice of the entity, this was made to provide a further contribution to the transparency and clarity of the data, correlating the value of the actuarial reserve relating to these contracts to the value determined with the IAS principles of the assets inserted in the separated managements.

The securities included in the separated management of the life division are included prevalently in the category “available-for-sale”, or in the category of financial instruments valued at “fair value through the income statement” and, as such, are valued at fair value, recording an increase or decrease in equity or in the result for the period of the difference between the fair value and the value determined in accordance with Italian GAAP.
Therefore, the return on the securities included in the separated management determines the returns of the policyholders and the impact on the amount of the actuarial reserve.

Therefore the amount of the actuarial reserves of the contracts inserted in the separated managements were recalculated in line with the valuation of the correlated assets, allocating to equity or the income statement the difference compared to the amount of the reserves calculated in accordance with the Italian standards.
In substance this difference represents the policyholders’ share of the latent gains and losses on the securities in the separated management which, based on the contractual clauses and current regulations, will be recognised to the policyholders only if and when they will be realised with the sale of the relative assets but are in this context explicit in the latent gains or losses of these securities, as already described, are recorded as an increase or decrease of the net equity or as a result for the period. The recognition method adopted also takes into account the minimum guaranteed return, recognised contractually to each separated management.

Technical reserves on inward reinsurance risks

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

4. FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss account

The account includes the financial liabilities at fair value recorded in the income statement defined and governed by IAS 39. The account includes in particular the financial liabilities designated at fair value recorded through the profit or loss relating to the investment contracts not recorded in application of IFRS 4 (unit linked and pension funds) which are recorded in accordance with the deposit accounting method which provides, substantially, the recording in the income statement of only the margins and recording under liabilities of the premiums issued and of the returns matured in favour of the policyholders. The account also includes the negative positions on the derivative financial contracts.

Other financial liabilities

The account includes the financial liabilities defined and governed by IAS 39, other than trade payables and not included in the previous category.
In particular this account includes:
- Subordinated liabilities;
- Deposits received from reinsurers;
- Social security institutions.

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

5. PAYABLES

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

Employee leaving indemnity and other employee benefits

It is recalled that due to the 2007 Finance Act (Law No. 296/2006) that the Complementary Pension Reform was brought forward to January 1, 2007.
Based on this reform, employees of private sector companies with 50 or more employees had the option by June 30, 2007 to allocate the employee leaving indemnity matured from January 1, 2007 to complementary pension funds or maintain the amount in the company, which must then transfer these amounts to a Treasury Fund managed by INPS.

For the employees of companies with less than 50 employees this choice was optional. Where no choice was made by employees the leaving indemnity matured remained in the company.

For the purposes of the actuarial valuation of the liability related to the provision of the Employee Leaving Indemnity in accordance with IAS 19, and applying the indications of the technical organisations (Abi, Assirevi, Actuarial Body and OIC), the different cases were divided as follows:

- employees that opted for the maintaining of the employee leaving indemnity at the company: the actuarial criteria contained in IAS 19 for defined benefit plans were utilised;
- employees that opted for the allocation of the employee leaving indemnity to complementary pension schemes: the share of employee leaving indemnity matured at January 1, 2007, as a defined contribution plan, did not apply IAS 19.

The employee leaving indemnity matured at December 31, 2006 continues to be considered as a defined benefit plan.

6. OTHER LIABILITIES

Current and deferred tax liabilities

These include, if present:

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

Other Liabilities

The account includes, among others, the liability relating to the defined benefits and other long-term employee benefits (including the provisions made for the leaving indemnity recorded under liabilities), the reinsurance transitory accounts, and the deferred commission income related to the contracts not within the application of IFRS 4, determined in accordance with IAS 18.

INCOME STATEMENT

Net premiums

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

We also report that, based on the analysis made on the policies in portfolio, all the contracts of the non life classes and all the contracts of the life classes with the exception of the unit-linked and pension fund contracts are included in the application of IFRS 4 and are therefore valued based on the principles of IAS 39 and IAS 18 and treated under the "deposit accounting" method.

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

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

Commission income

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

Investment income

Income and charges from financial instruments recorded at fair value through profit or loss

The account includes the realised gains and losses and the positive and negative changes to financial assets and liabilities measured at fair value through the income statement. The change in value is determined based on the difference between the fair value at the reference date and the initial book value of the financial instruments recorded in this category.

For the listed financial instruments on active markets the fair value is the current price of the reference date, while for the non-listed financial instruments the price is determined based on adequate valuation techniques.

Income from investments in subsidiaries, associates and joint ventures

Includes the income originated from investments in associated companies recorded in the corresponding asset account. This relates in particular to the share of the result in the investment.

Income from other financial instruments and property investments

The account includes income from property investments and financial instruments not measured at fair value through profit or loss and in particular:

- Financial income recognised utilising the effective interest method (IAS 18.30 (a));
- Other income and, in particular, dividends relating to equity securities and revenues deriving from the utilisation, by third parties, of the property investments;
- Profits realised following the sale of financial assets and investment properties or the elimination of financial liabilities;
- Profits on valuation, deriving principally, where possible, from the write-back in value (reversal of impairment).

Other revenue

The account comprises:

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

Net charges relating to claims

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

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

Commission expenses

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

Investments charges

Charges from investments in subsidiaries, associates and joint ventures
Includes the charges arising from holdings in associated companies, recorded in the corresponding asset account. This relates in particular to the share of the result in the investment.

Charges from other financial instruments and property investments
The account includes charges from property investments and financial instruments not measured at fair value through the income statement and in particular:
- Financial charges recognised utilising the effective interest method, including the interest relating to subordinated loans;
- Other charges and, in particular, the costs relating to investment property, such as condominium expenses, and maintenance and repairs not of an incremental nature;
- Losses realised following the sale of financial assets and investment properties or the elimination of financial liabilities;
- Losses on valuation, deriving principally from amortisation, and where necessary, impairment.

Management expenses

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

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

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

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

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

UNCERTAINTY ON UTILISATION OF ESTIMATES

The application of some accounting principles necessarily implies significant elements of opinion based on estimates and assumptions which are uncertain at the time of their formation.

For the accounts for the year 2010 it is considered that the assumptions made are appropriate and consequently the accounts are prepared with the intention of clarity and represent in a true and fair manner the financial situation and result for the year. Information is provided below in accordance with the requirements of paragraph 116 of IAS 1. In the relative paragraphs of the notes, adequate and exhaustive information is provided concerning the underlying reasons for the decisions taken, the valuations made and the criteria adopted in the application of the international accounting standards.

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

It cannot be excluded, however, that variations in estimates and assumptions may determine significant effects on the balance sheet and income statement, as well as on the potential assets and liabilities reported for information purposes in the accounts, where different opinions are made compared to those utilised at the time reported.

In particular, the use of greater subjective valuations by management was necessary in the following cases:

- in the calculation of the technical reserves;
- in the calculation of the loss of value of goodwill from business combinations, of goodwill in investment holdings and the relative Value of Business Acquired;
- in the determination of the fair value of financial assets and liabilities where they were not directly obtained from active markets. The elements of subjectivity relate to, in this case, in the choice of the valuation models or in the input parameters which may not be observable on the market;
- in the definition of the parameters utilised in the analytical valuations of equity securities and bonds in the Available-for-Sale category to verify the existence of any loss in value. In particular reference is made to the choice of the valuation models and the principal assumptions and parameters utilised;
- in the estimate of the recovery of the deferred tax assets;
- in the quantification of provisions for risks and charges and the employee benefit provisions, for the uncertainty therein, of the period of survival and of the actuarial assumptions utilised;

The reporting of these cases is made with the objective to permit the reader of the accounts a better understanding of the principal areas of uncertainty, but it is not intended in any case to imply that alternative assumptions could be appropriate or more valid.

In addition, the valuations in the accounts are made based on the going concern of the business, in that no risks were identified which could compromise the normal carrying out of the business activities. In fact, despite the losses in 2010, the net equity was more than adequate to support the solvency margin and - as described in the section concerning events after year-end - the outlook is positive.

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

Group Structure

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

Consolidation scope

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

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

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

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held.

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

% Direct holding	% Total holding (3)	% Votin in Ordinary Shareholder Meeting (4)	% consolidated
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
99.85	99.85	99.85	100.00
100.00	100.00	100.00	100.00
99.97	99.97	99.97	100.00
-	99.97	100.00	100.00
28.00	54.51	54.55	100.00
-	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

Details of non-consolidated investments

Company	State	Activity (1)	Type (2)
A7 S.r.l.	Italy	10	B
ATAHOLTELS S.p.A.	Italy	11	B
BORSETTO S.r.l.	Italy	10	B
CITYLIFE S.r.l.	Italy	10	B
GARIBALDI S.C.A.	Luxembourg	10	B
GLOBAL CARD SERVICE S.r.l.	Italy	11	A
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	Italy	11	B
ISOLA S.C.A.	Luxembourg	10	B
IGLI S.p.A.	Italy	11	B
IMMOBILIARE LOMBARDA S.p.A.	Italy	10	B
METROPOLIS S.p.A.	Italy	10	B
PENTA DOMUS S.r.l.	Italy	10	B
SAI INVESTIMENTI S.G.R. S.p.A.	Italy	8	B
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	Italy	11	B
SERVIZI IMMOBILIARI MARTINELLI S.p.A.	Italy	10	B
SISTEMI SANITARI S.c.r.l.	Italy	11	B
SVILUPPO CENTRO EST S.r.l.	Italy	10	B
VALORE IMMOBILIARE S.r.l.	Italy	10	B

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

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

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held.

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

% Direct holding	% Total holding (3)	% Voting in Ordinary Shareholder Meeting (4)	Book Value
-	20.00	20.00	266
49.00	49.00	49.00	
-	44.93	44.93	3,170
-	27.20	27.20	78,087
32.00	32.00	32.00	45,902
-	94.97	95.00	-
34.21	34.63	34.65	11,615
29.56	29.56	29.56	10,907
-	16.67	16.67	28,366
35.83	35.83	35.83	9,083
-	29.73	29.73	1,665
-	20.00	20.00	2,417
29.00	29.00	29.00	1,832
30.00	30.00	30.00	310
-	20.00	20.00	103
19.63	20.12	20.31	182
-	40.00	40.00	386
50.00	50.00	50.00	8,100

Consolidation scope

At December 31, 2010, the Milano Assicurazioni Group totalled, included the Parent Company, 11 companies. Of these 5 are insurance companies, 4 property companies and 2 service companies. The list of these companies, all fully consolidated, is shown in the table of the consolidated companies.

In 2010 Meridiano Orizzonti S.r.l. exited the consolidation scope following incorporation into the Parent Company on April 14, 2010 as did Dialogo Vita S.p.A. which was incorporated into the Parent Company on December 29, 2010.

Notes to the consolidated financial statements

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

PART B - Information on the consolidated balance sheet

Balance Sheet - Assets

1. INTANGIBLE ASSETS

They include:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Goodwill	231,052	244,131	-13,079
Other intangible assets	18,960	26,270	-7,310
TOTAL	**250,012**	**270,401**	**-20,389**

Goodwill

The following movements took place during the year:

(in Euro thousands)	**2010**	**2009**
Value at beginning of year	**244,131**	**264,976**
Increases in the year	-	-
Reductions for cessions or for recording under held for sale assets	-	-20,845
Losses in value recorded in the year	-3,079	-
Other changes	-10,000	-
Value at year end	**231,052**	**244,131**

Goodwill is reported in the following table:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Goodwill recorded following the merger with the parent company by Lloyd Internazionale S.p.A. in 1991	17,002	17,002	-
Goodwill recorded in 1992 following the acquisition by the Parent Company of the portfolio of Card S.p.A.	33,053	33,053	-
Goodwill deriving from the acquisition by the parent company of the insurance portfolio of Latina Assicurazioni S.p.A. in 1992	34,522	34,522	-
Goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A., originally acquired from Previdente Vita (formerly Latina Vita) in 1993	16,463	16,463	-
Goodwill deriving from the acquisition, in 1995, of the portfolio Maa Finanziaria by Nuova Maa, incorporated into the parent company in 2003.	65,134	65,134	-
Goodwill deriving from the acquisition, in 2001, of the Profilo Life portfolio by Maa Vita, incorporated into the parent company in 2003.	1,052	1,052	-
Goodwill recorded following the merger with the parent company of Maa Vita in 2003	4,636	4,636	-
Goodwill relating to the acquisition by SIS of the Ticino portfolio in 1995	152	152	-
Consolidation difference deriving from the acquisition, in 1996, of La Previdente Vita (subsequently incorporated into Milano Ass.) by La Previdente Assicurazioni (subsequently incorporated into Milano Ass.)	3,275	3,275	-
Consolidation difference deriving from the acquisition of Dialogo Ass. by La Previdente Ass. in 1997	49	49	-
Consolidation difference arising from conferment in 2008 of Liguria Assicurazioni.	52,555	65,634	-13,079
Consolidation difference arising from conferment in 2008 of Liguria Vita	3,159	3,159	-
TOTAL	**231,052**	**244,131**	**-13,079**

The decrease in the consolidation difference of Liguria Assicurazioni compared to the previous year of Euro 13,079 thousand relates to:

- the value adjustment of Euro 3,079 thousand following an impairment test, as detailed below;
- the adjustment to the purchase price of Liguria Assicurazioni, determined at year-end and amounting to Euro 10 million.

With reference to the adjustment to the purchase price, it is recalled preliminarily that the purchase contract of Liguria Assicurazioni S.p.A. by Fondiaria-Sai contained price adjustment procedures on the price paid by Fondiaria-Sai to De Longhi Holding SA (formerly Guala Consultadoria e Investimentos Lda) in May 2006 as follows:

- verification, to be completed after the approval of the 2010 financial statements, of the sufficient strength of the claims reserves of Liguria Assicurazioni as reported in the 2005 financial statements;
- verification of the sufficient strength of the Bond Class premiums reserve based on the transfer balance sheet prepared on May 31, 2006, on the closing of the operation.

Milano Assicurazioni, following the conferment of the holding in Liguria Assicurazioni by FONDIARIA-SAI, sub-entered into all receivable/payable balances generated by this latter with De Longhi Holding.

Fondiaria-Sai, in the final months of the year, verified the possibility of concluding with the De Longhi Holding Group a settlement agreement which would set - in place of that contractually established for 2011 - price adjustment procedures for sums still pending and governed by the sales contract.

Therefore we preliminarily carried out, through the relevant Group technical structures, a simulation of the calculations, concluding with an estimate of a range between Euro 9 million and Euro 11 million for the total net amount which De Longhi Holding would have recognised Fondiaria-Sai on the finalisation of all the outstanding matters in relation to the sales contract and which Fondiaria-Sai would have paid to Milano Assicurazioni based on that reported above.

Considering the substantial similarity between the result of the verification of the sufficient strength of the claims reserves in relation to that originally contracted, of the cost of the expert opinion established by the procedure, of the duration of some bond policies issued by Liguria Assicurazioni during the management of De Longhi, which would have postponed the calculation of the amounts until at least 2016, the parties decided to sign an agreement with consideration of Euro 10 million in settlement of all outstanding matters relating to the sales contract.

Impairment test

In accordance with IAS 38 (Intangible assets), goodwill, having an indefinite useful life, is not systematically amortised, but subject to an impairment test, made at least annually, in

accordance with the manner set out in IAS 36 (Reduction in value of Assets), in order to identify the existence of a permanent loss in value.
The impairment tests are made comparing the carrying value and the recoverable value of the Cash Generating Units (CGU), in accordance with IAS 36 as reported below.

Identification of the CGU

The Cash Generating Units identified for this purpose consist of:

- the Life Division of the entire Milano Assicurazioni Group;
- the Non-Life Division of the entire Milano Assicurazioni group, excluding Liguria Assicurazioni;
- the real estate sector of the Milano group;
- the Liguria Assicurazioni Group;

The identification of the CGU's at Group level took into account also the CGU's which benefited from the business combination synergies achieved in the past, which the individual components of the account goodwill in the accounts refer to.

This identification is also in line with the Group management reporting system, in which the CGU's stated-above represent the minimum level to which the goodwill is monitored for internal management control purposes. These CGU's comply with the definition of operating segments established by IFRS 8.
The determination of the book value of the CGU's identified is made in line with the determination of the appropriate cash flow streams to identify the recoverable value. In particular, the goodwill allocated amounted to Euro 22,153 thousand for the Life Division CGU, Euro 153,185 thousand for the Non-Life division CGU and Euro 55,714 thousand for the Liguria CGU. Goodwill was not recognised to the real estate CGU.

Recoverable value of the CGU's

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

Goodwill relating to Milano Assicurazioni

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

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

In this regard, the Sum of Parts methodology was utilised. This method calculates the economic value as the sum of the capital values attributed to the various business lines of Milano Assicurazioni (life, non-life and real estate business). The principal parameters chosen, methods utilised and the results calculated were validated by a specifically appointed independent expert, who issued a fairness opinion.

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

The principal parameters utilised in the application of the model are as follows:

- discount rate utilised for the valuation of the VIF: 7.85%;
- discount rate utilised for the valuation of the NBV: 6.85%;
- synthetic multiple for the estimate of goodwill from new business: 5x
- solvency ratio: 100%.

The recoverable value identified was Euro 457 million.
The following sensitivity analyses were carried out on the result:

- change in the synthetic multiplier between the interval 3x-7x in order to estimate the Goodwill related to new business;
- change of +/-0.5% of the discount rate utilised in order to estimate the VIF and the NBV;
- solvency margin equal to 120% and 150%.

Based on the result of the sensitivity analysis carried out, the recoverable value of the Life Business was placed in the following range: Euro 437.5-477.1 million.

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

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

In application of the method reference was made to the 2011 budget and the economic indicators approved by the Board of Directors concerning the years 2012 and 2013 in relation to premiums written, combined ratio and financial income as well as the 2014 and 2015 projections drawn up by management based on normal levels of profitability.
The parameters used were as follows.

- combined ratio: gradual alignment to 96%;
- cost of capital (ke) for discounting cash flows at 9.4%, estimated based on:
  - net risk free rate of 4.31% at December 31, 2010;
  - Beta ratio of 1.03;
  - Market Risk Premium of 5%;
  - long-term growth rate (g-rate) of 2%;
- investment return: *3%*
- solvency ratio: 120% calculated according to the Solvency I rules and considering, as constituting items, only those relating to the Non-Life CGU.

The recoverable value of the non-life business of the Milano Assicurazioni group excluded the contribution of the Liguria Assicurazioni group, identifying it as an autonomous and independent CGU and subject to a separate impairment test and amounted to Euro 1,298 million.

The valuations made using the DDM were subject to a sensitivity analysis. In particular, two different scenarios were considered:

- a “Base” scenario, which assumes changes in the combined ratio and target investment returns around +/-0.25%;
- A “Stress” scenario which assumes the following changes:
  - change in the target combined ratio (96%) such as to be in line with, in the lower limit, the value expected in the final year of the projection (96.75%);
  - change of +/-12.5% of the target Solvency margin (equal to 120% of the constituting elements calculated in accordance with the Solvency I regulation);
  - combined changes of the target combined ratio and of the target Solvency margin in

the two preceding points;

- changes in the target investment return in the order of +/- 0.5% such as to be in line with, in the lower limit, the value expected in the final year of the projection (2.5%);
- combined change of the target investment return described in the previous point and of the discount rate in the interval of +/-0.25%.
- The minimum and maximum value from the "Base" Scenario analysis and from all the analysis made in the "Stress" Scenarios are illustrated below:

- "Base" Scenario: Euro 1,170-1,426 million;
- "Stress" Scenario: Euro 1,090-1,515 million.

For both these CGU's a further significant deterioration of the principal parameters utilised was taken into consideration for the purposes of the sensitivity analyses, currently not expected, and even in these circumstances the recoverable value of the CGU's would remain in excess of the book value.

The **Real Estate Business** was valued with the Adjusted Net Equity Method taking account of the net equity allocated and of the equity adjustments made to realign the value of assets and liabilities to the current estimate and/or market value (net of any notional tax effect).

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

Goodwill relating to Liguria Assicurazioni

The value in use of the Liguria Group was calculated through the Sum of Parts (SOP) method, utilising the Dividend Discount Model (DDP) for the valuation of Liguria Assicurazioni and the adjusted net equity for Liguria Vita. The principal parameters chosen, methods utilised and the results calculated were validated by a specifically appointed independent expert, who issued a fairness opinion.

The parameters utilised for the application of DDM were as follows:

- combined ratio: gradual alignment to the target value estimated at 96%;
- cost of capital for the discounting of cash flows: 9.4%;
- long-term growth rate (g-rate): 2%;
- financial income: gradual alignment of the investment yield to the target value, estimated at 2.8%;
- solvency ratio: 120%, calculated according to the Solvency I rules.

The valuation was carried out based on the 2011 budget of the company, the economic indicators relating to the years 2012 and 2013 in terms of premiums written, combined ratio and financial income and the 2014 and 2015 projections drawn up to reflect a normal level of profitability.

The valuations carried out allocated to the Liguria Group a value of Euro 130 million and, in particular, a goodwill value of Euro 55,714 thousand. It was therefore necessary to recognise an impairment of Euro 3,079 thousand to align the book value with the valuation. From an

operational viewpoint, the impairment reflects the deterioration of the technical performance of the Liguria Group in 2010.

The following table summarises the valuation results indicating the recoverable value of the identified CGU's and the comparison with the relative book values. The book value of the Liguria Group is indicated net of the above-stated impairment:

(in Euro millions)	**Recoverable value**	**Book value**	**Excess**
Milano Life CGU	457	271	186
Milano Non-Life CGU	1,298	390	908
Liguria Ass. Group	130	130	-

Other tangible assets

The *other intangible assets* have a definite useful life and are therefore amortised over their duration. There were no intangible assets generated internally. The account principally includes the VOBA relating to Liguria Assicurazioni, amounting to Euro 17,150 thousand and recorded in 2008 following the consolidation of the balance sheet of the relative investment. The amortisation in the year amounted to Euro 7,096 thousand.

The table below shows the breakdown of the gross value and total amortisation recorded up to December 31, 2010:

(in Euro thousands)	**Gross Carrying value**	**Amortisation and impairment**	**Net value**
Studies and research expenses	-	-	-
Utilisation rights	-	-	-
Other intangible assets	52,325	-33,365	18,960
TOTAL	**52,325**	**-33,365**	**18,960**

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

(in Euro thousands)	2010	2009
Value at beginning of year	26,270	123,833
Increases:		
• generated internally	-	-
• purchased	43	518
• from business combinations	-	-
• from changes in the consolidation method	-	-
Reductions for cessions or for recording under held for sale assets	-	-90,688
Amortisation	-7,353	-7,393
Other changes	-	-
Value at end of year	**18,960**	**26,270**

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

2. PROPERTY, PLANT & EQUIPMENT

The account amounts to Euro 64,111 thousand, broken down as follows:

	Buildings		Other tangible assets	
	2010	2009	2010	2009
Gross carrying value	63,785	63,926	23,384	22,345
Depreciation and impairment	-5,644	-5,276	-17,414	-16,626
Net value	**58,141**	**58,650**	**5,970**	**5,719**

The movements in the year are shown below:

(in Euro thousands)	Buildings		Other tangible assets	
	2010	2009	2010	2009
Value at beginning of year	58,650	43,323	5,719	132,262
Increases	1,010	5,020	886	538
Reductions for cessions or for recording under held for sale assets	-219	-37,210	-	-1,995
Buildings from business combinations	-	48,635	-	-
Impairment recorded in the year	-1,068	-	-	-
Restated values recorded in the year	-	-	-	-
Depreciation	-233	-1,118	-635	-510
Other changes		-	-	-124,576
Value at end of year	**58,140**	**58,650**	**5,970**	**5,719**

The buildings included in property, plant and equipment relates to:

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

No buildings had any restrictions on title. Impairment charges of Euro 1,068 thousand were recorded to the income statement.

The Group annually undertakes independent expert valuations to determine the current value of its land and buildings. Overall, the expert's valuation at 31/12/2010 was Euro 5.8 million higher than book value at the same date.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The account amounts to Euro 434,652 thousand, broken down as follows:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Non-Life premium reserve - reinsurers	55,969	53,000	2,969
Non-Life claims reserve - reinsurers	275,772	307,255	-31,483
Other Non-Life reserves – reinsurers	-	-	-
Actuarial reserves attributed to reinsurers	98,502	117,023	-18,521
Reserve for claims to be paid – reinsurers	4,409	2,044	2,365
Class D reserves attributed to reinsurers	-	-	-
Other reserves – reinsurers	-	1	-1
TOTAL	**434.652**	**479.323**	**-44.671**

4. INVESTMENTS

This consists of:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Investment property	1,000,349	1,078,543	-78,194
Investments in subsidiaries, associates and joint ventures	202,391	189,331	13,060
Investments held-to-maturity	121,798	114,924	6,874
Loans and receivables	660,504	510,588	149,916
AFS financial assets	6,827,511	7,206,593	-379,082
Financial assets at fair value recorded through the profit & loss account	288,590	343,916	-55,326
TOTAL	**9,101,143**	**9,443,895**	**-342,752**

Investment property

The account includes the buildings for rental or held for their capital appreciation.

The account includes also the buildings held by Immobiliare Milano Assicurazioni for Euro 264.6 million which were previously recorded as inventory under *Property, plant and equipment* in the *Buildings* account. The current classification appears more suitable given the real estate management policies, focused on a greater stability in assets over time in comparison to the focus of Immobiliare Lombarda, from which these properties originate. The data at December 31, 2009 was reclassified for comparability purposes.

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

The Group annually determines the current value of the property investments on the basis of independent expert valuations. Overall, the expert's valuation of the property investments at 31/12/2010 was Euro 188.7 million higher than book value at the same date.

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

	31/12/2010	31/12/2009
Gross carrying value	1,092,526	1,152,692
Depreciation and impairment	-92,177	-74,149
Net value	**1,000,349**	**1,078,543**

(in Euro thousands)	**2010**	**2009**
Value at beginning of year	1,078,543	561,055
Increases:		
• for purchases	-	163,155
• for incremental expenses	16,693	20,756
Buildings from business combinations	-	273,381
Reductions for cessions or for recording under held for sale assets	-56,626	-46,193
Depreciation	-27,516	-18,187
Impairment recorded in the year	-10,745	
Other changes	-	124,576
Value at end of year	**1,000,349**	**1,078,543**

During the year, rental income from investment property and expense reimbursements amounted to Euro 33,231 thousand while operating costs, mainly relating to building lease charges, amounted to Euro 19,579 thousand.
There are no significant limits to the realisation of the investment property due to restrictions of a legal, contractual or any other nature.

Improvement expenses refer for Euro 11.2 million to payments on account in relation to the real estate operation regarding the land in Milan, via Confalonieri – via de Castillia and for Euro 2.9 million to restructuring works of the building in Rome, via Tre Madonne.

The sale principally related to the building located in Milan, Via Cordusio n. 2 - Via G. Casati No. 1, with a book value at the time of sale of Euro 46.6 million. The sales price of Euro 105 million resulted in a gain of Euro 58.4 million.

The impairments related to the building located in Milan, Via Caldera, No. 21. The book value of this building, for hotel use, was reduced from Euro 62.8 million to Euro 57.7 million, considering the value allocated by an independent expert on December 31, 2010, which takes account of the lower short-term profit forecasts. Similarly, an impairment was carried out on the building owned by the Athens Fund which houses the Hotel Terme di Petriolo: The alignment to the expert opinion at December 31, 2010 resulted in the recording of charges of Euro 3 million.

Investments in subsidiaries, associates and joint ventures

In accordance with IAS 27.20 (Consolidated and separate financial statements), the subsidiaries are fully consolidated, including those which undertake dissimilar activities, with the exception of the companies which due to their size are insignificant in terms of the consolidated financial statements. The amount recorded therefore refers to holdings in associated companies, valued under the equity method.

(in Euro thousands)	**31/12/2010**	**31/12/2009**
A7 S.r.l.	266	357
Atahotels S.p.A.	-	9,845
Borsetto S.r.l.	3,170	3,489
Citylife S.r.l.	78,087	61,328
Ex Var S.c.s.	-	6,328
Garibaldi S.c.a.	45,902	39,839
Gruppo Fondiaria-Sai Servizi S.c.r.l.	11,615	11,841
Isola S.c.a.	10,907	-
Igli S.p.A.	28,366	28,366
Immobiliare Lombarda S.p.A.	9,083	8,971
Metropolis S.p.A.	1,665	889
Penta Domus S.r.l.	2,417	2,280
Sai Investimenti SGR S.p.A.	1,832	1,872
Service Gruppo Fondiaria-Sai S.r.l.	310	259
Servizi Immobiliari Martinelli S.p.A.	103	105
Sistemi Sanitari S.c.r.l.	182	159
Sviluppo Centro Est S.r.l.	386	303
Valore Immobiliare S.r.l.	8,100	13,100
TOTAL	**202,391**	**189,331**

The associated company Atahotels reports at December 31, 2010 a net equity deficit of Euro 11 million, following the loss in the year of Euro 51.8 million.
Consequently, the carrying value of the investment was written-down and the share (49%) of the net equity deficit was recorded to the account other provisions in the liability section of the balance sheet to cover future recapitalisation needs.

Investments held-to-maturity

These amount to Euro 121,798 thousand and were as follows:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Non quoted debt securities	1,330	1,286	44
Quoted debt securities	120,468	113,638	6,830
TOTAL	**121,798**	**114,924**	**6,874**

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

Loans and receivables

The account amounts to Euro 660,504 thousand and is comprised of:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Non quoted debt securities	44,016	46,966	-2,950
Quoted debt securities	509,021	292,241	216,780
Time deposits	-	46,731	-46,731
Loans on life policies	24,627	28,010	-3,383
Deposits held by reinsurers	2,614	2,358	256
Receivables from sub-agents for indemnities paid to agents terminated	58,720	61,807	-3,087
Other loans and receivables	21,506	32,475	-10,969
TOTAL	**660,504**	**510,588**	**149,916**

The increase in the account *Listed debt securities* compared to December 31, 2009 is principally due to the “Private Placement” subscription to some BTP securities acquired as a stable investment.

The account also includes approx. Euro 256 million relating to financial instruments transferred from the AFS category at the beginning of 2009. These refer to corporate bonds with subordination clauses, with carrying values below the repayment value and high yields. The classification in this category is due to the technical characteristics of the securities, the desire of the company to maintain them in portfolio until maturity and the high levels of volatility which continued to affect the markets and which can no longer guarantee prices in line with the balance sheet fundamentals of the issuing companies.

These securities were valued at amortised cost. The related losses which decreased from Euro 23.8 million at January 1, 2009 to Euro 21.5 million at December 31, 2010 were recorded under shareholders' equity in the account *Profits or losses on available-for-sale financial assets* and valued at amortised cost.

The fair value of these securities at December 31, 2010 was Euro 273.3 million, recording in the income statement for the year gains of Euro 17.7 million.

The *Non-listed debt securities* includes the book values of some issuers (in particular the securities of the special Ania issues) for which it is considered appropriate to utilise the amortised cost instead of the fair value.

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

AFS financial assets

The available-for-sale financial assets include bonds and equity securities, as well as investment unit funds, not otherwise classified. They represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.

The division by type is as follows:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Quoted equity securities	544,809	619,908	-75,099
Non quoted equity securities	48,505	13,226	35,279
Quoted debt securities	5,567,954	5,888,944	-320,990
Non quoted debt securities	38,810	15,291	23,519
Fund units	627,433	669,217	-41,784
Other investments	-	7	-7
TOTAL	**6,827,511**	**7,206,593**	**-379,082**

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

Under the group impairment policy, adjustments in value were recorded to the income statement on securities in this category for Euro 380 million, of which Euro 371.4 million relating to shareholdings and Euro 8.6 million to units in mutual investment funds. The continuation of poor financial market performances has for some securities in portfolio resulted in the recording a value lower than the book value for a continuous period of at least 2 years. Therefore the average costs of these securities were aligned with the stock market values at the end of the period, and therefore not considering the proper correlation of the stock market values vis-à-vis the fundamental values of the respective entities.
In particular, further impairments of Euro 212.4 million, of which Euro 93.7 million relating to the holding in Assicurazioni Generali and Euro 90 million relating to the holding in Unicredit are added to the impairments already recorded at June 30 (Euro 167.6 million, of which Euro 152 million relating to the holding of Milano Assicurazioni in the parent company Fondiaria-Sai).
In the current year, the investment in the Bank of Italy, previously valued at cost, was recorded at fair value, based on a particularly prudent estimate considering future distributable financial cash flows, estimated taking account of dividends received in the recent past and appropriately discounted. The amendment, implemented utilising common market practices, had a positive impact on the AFS reserve and consequently on the group net equity of Euro 25,513 thousand, gross of the relative tax effect. The parameters utilised for the valuation were approved by a specifically appointed independent expert. In particular, the 2000 units held, with an overall historic value of Euro 8 thousand (Euro 3.73 for each unit) were recorded for Euro 25,520 thousand (Euro 12,760 for each unit).

Overall the financial instruments recorded in the AFS category led to the creation of a group net equity reserve “profits/losses on AFS financial assets” which includes the effects deriving from the valuation at fair value of such instruments and in particular the reductions in value not recorded to the income statement, with the recording of a profit of Euro 2 million.
This reserve includes a negative component of Euro 109.3 million relating to the debt securities, a positive component of Euro 93.2 million relating to investment fund units and a negative component of Euro 1.4 million concerning the equity securities as well as the positive shadow accounting reserve of Euro 13.2 million and an overall positive tax effect of Euro 6.3 million. The equity securities, already largely present in the portfolio of the Milano Assicurazioni group at December 31, 2009, recorded a fair value decrease in nearly all cases lower than 50% of the original book value.

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

The breakdown is as follows:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Quoted equity securities	650	635	15
Quoted debt securities	204,883	230,334	-25,451
Non quoted debt securities	32,790	52,093	-19,303
Fund units	48,159	57,715	-9,556
Other financial instruments	2,108	3,139	-1,031
TOTAL	**288,590**	**343,916**	**-55,326**

The amount includes Euro 231,769 thousand of investment contracts where the risk is borne by the policyholders and Euro 13,906 thousand of investments relating to pension fund management.
The listed financial instruments recorded in this category are valued at market value at the last day of trading in the year, with allocation of the difference with the carrying value to the income statement.

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Receivables from direct insurance operations	662,794	727,018	-64,224
Receivables from reinsurance operations	69,553	100,665	-31,112
Other receivables	302,471	346,803	-44,332
TOTAL	**1,034,818**	**1,174,486**	**-139,668**

Receivables from direct insurance operations include:
- receivables from policyholders of Euro 321,448 thousand, of which Euro 304,616 thousand referring to the premiums for the year and Euro 16,832 thousand for premiums of previous years;
- receivables from insurance brokers for Euro 271,049 thousand;
- receivables from insurance companies for Euro 14,326 thousand;
- receivables from policyholders and others for sums to be recovered for Euro 55,971 thousand.

The other receivables are broken down as follows:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Receivables from Fondiaria-Sai for tax payments on account and for credits and withholding taxes transferred in accordance with the tax consolidation	90,570	106,306	-15,736
Trade receivable	7,069	4,307	2,762
Tax reimbursements	26,589	53,619	-27,030
Other receivables	178,343	182,571	-4,228
TOTAL	**302,571**	**346,803**	**-44,232**

The trade receivables are non-interest bearing and are generally payable within 90 days.

With reference to the receivables from policyholders for premiums, receivables from agents and other brokers and receivables from insurance and reinsurance companies, the Group does not have significant concentrations of credit risks with parties external to the Fondiaria-Sai group, as the credit exposure is divided among a large number of clients.

6. OTHER ASSETS

The account amounts overall to Euro 328,005 thousand and is comprised of:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Non-current assets or of a discontinued group held for sale	3,451	4,102,633	-4,099,182
Deferred acquisition costs	7,477	27,861	-20,384
Deferred tax assets	205,915	105,200	100,715
Current tax assets	42,821	41,422	1,399
Other assets	68,229	56,751	11,478
TOTAL	**327,893**	**4,333,867**	**-4,005,974**

Non-current assets or of a discontinued group held for sale

Euro 3.5 million relates to property held by Liguria Assicurazioni, located in Segrate via delle Regioni, whose deeds have been drawn up.
The change on 31/12/2009 is principally due to the sale of 51% of the holding in Bipiemme Vita. As previously reported, on June 17, 2010 Milano Assicurazioni and Banco Popolare di Milano, following the agreement signed in December 2009 in relation to the mutually agreed winding-up of the partnership in the bancassurance sector and having received the necessary authorisations signed the transfer in favour of Banco Popolare di Milano of the 51% of the share capital of Bipiemme Vita S.p.A. held by Milano Assicurazioni.

Deferred acquisition costs

The deferred acquisition costs refer to the acquisition commissions on long-term contracts which, in accordance with the accruals principle, are amortised for the duration of the relative contracts.

The movements during the year were as follows:

(in Euro thousands)		**31/12/2010**		
	Non-Life Division	**Life Division**	**Total**	**31/12/2009**
Balance at beginning of year	19,993	7,868	27,861	53,963
Increases in the year	-	-	-	808
Amortisation in year (-)	-19,993	-391	-20,384	-26,910
Balance at end of year	**-**	**7,477**	**7,477**	**27,861**

Current tax assets

The current tax assets, amounting to Euro 42,821 thousand, refer principally to tax authorities for payments on account and withholding taxes. The account includes amounts paid on account on the life division actuarial reserves pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02, converted into article 1 of Law 265/2002, as supplemented, recorded in accordance with Isvap Regulation No. 7 of July 13, 2007.
Where permitted by IAS 12, current tax assets and liabilities are compensated.

Deferred tax assets

The account amounts to Euro 205,915 thousand and is calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the accounts and the respective tax value according to the "balance sheet liability method" principle established by IAS 12. The recording occurs in relation to the probability of their recovery related to the capacity to generate assessable taxable income in the future.
Where permitted by IAS 12, deferred tax assets and liabilities were compensated.
The amount includes in particular:

- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni of Euro 34,648 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group, amounting overall to Euro 22,212 thousand.

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

- a reasonable certainty exists of future assessable tax income which can absorb the losses within a five year period from which they are deductible in accordance with the applicable tax regulations;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

The verification of the possibility that the benefits related to the tax losses will be verified was carried out based on the 2011 Budget, recently approved by the Board of Directors of Milano Assicurazioni and on the outlook for the coming years, taking account of the performance indicators drawn up by management, also considering that established for the purposes of the impairment tests on goodwill carried out in the consolidated financial statements.
A significant part of the recognised benefit will be absorbed in the coming two years.

Other assets

The account amounts to Euro 68,229 thousand and includes the taxes on the actuarial reserves of the Life division for the year (Legs. Decree 209/2002) of Euro 10,348 thousand and indemnities paid to agencies (Euro 11,558 thousand).

7. CASH ON HAND AND AT BANK

The total recorded amounts to Euro 284,665 thousand.
This account includes the liquidity and deposits and bank current accounts with maturity less than 15 days.

Balance Sheet - Liabilities

LIABILITIES AND SHAREHOLDERS' EQUITY

1. SHAREHOLDERS' EQUITY

The consolidated Shareholders' Equity, inclusive of the result for the year and the minority interest share, amounts to Euro 1,304,567 thousand, as shown in the following table:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Group Net Equity	**1,303,248**	**1,881,921**	**-578,673**
Share Capital	305,851	305,851	-
Other equity instruments	-	-	-
Capital reserves	718,147	718,147	-
Retained earnings and other reserves	980,995	1,181,009	-200,014
Treasury shares	*-31,353*	*-31,353*	-
Translation reserve	-	-	-
Profit or loss on AFS financial assets	1,989	-148,605	150,594
Other gains and losses recorded directly in equity	-3,670	-3,141	-529
Group net profit/(loss)	-668,711	-139,987	-528,724
Minority interest equity	**1,319**	**106,002**	**-104,683**
Minority capital and reserves	1,502	104,531	-103,029
Gains and losses recorded directly in equity	-3	-604	601
Minority interest profit/(loss)	-180	2,075	-2,255
TOTAL	**1,304,567**	**1,987,923**	**-683,356**

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

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

	Ordinary 31/12/2010	Savings 31/12/2010	Ordinary 31/12/2009	Savings 31/12/2009
Number of shares issued	557,435,774	30,739,882	557,435,774	30,739,882

	Ordinary	Savings	Total
Shares existing at 01/01/2010	557,435,774	30,739,882	588,175,656
Treasury shares (-)	-6,764,860	-	-6,764,860
Shares outstanding: balance at 01/01/2010	550,670,914	30,739,882	581,410,796
Increases:			
Sale of treasury shares	-	-	-
Share capital increase	-	-	-
Decreases:			
Acquisition of treasury shares	-	-	-
Shares outstanding: balance at 31/12/2010	**550,670,914**	**30,739,882**	**581,410,796**

The capital reserves, amounting to Euro 718,147 thousand, refer to the share premium reserve recorded in the financial statements of the Parent Company.

Retained earnings and other reserves

They principally comprise profits carried forward. The account also includes the consolidation reserve, negative for Euro 43,297 thousand, the reserve for gains and losses deriving from the first-time application of the international accounting standards for a negative amount of Euro 44,067 thousand, the merger reserve of Euro 350,833 thousand and the revaluation reserve of Euro 1,277 thousand.

Treasury shares

These amount to Euro 31,353 thousand (unchanged on 31/12/2009). This account includes the carrying value of the capital instruments of the Parent Company Milano Assicurazioni held by the company.
This account reduced the net equity in accordance with IAS 32.

Profit or loss on AFS financial assets

A profit net of taxes of Euro 1,989 thousand was recorded, representing the difference between the acquisition costs and market prices of the AFS financial assets where these differences are not indicative of reductions in value. The account is recorded net of the part attributable to the policyholders and recorded as insurance liabilities in accordance with the accounting method contained in paragraph 30 of IFRS 4 (shadow accounting). Euro 21.5 million of losses relating to financial instruments transferred to the *Loans and Receivables* category are also included.

Other gains and losses in the year recorded directly in equity

They relate to:
- losses of an actuarial nature consequent of the application of IAS 19 (Euro 2,651 thousand of losses);
- losses deriving from the valuation of a derivative financial instrument to hedge cash flows (Euro 1,019 thousand).

Minority interest equity

The minority interest shareholders' equity amounts to Euro 1,319 thousand and refers principally to the minority holding of Pronto Assistance Servizi S.c.r.l..

* * *

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

RECONCILIATION OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(in Euro thousands)	**Net profit/(loss) for the year**	
	2010	**2009**
Financial Statements of Milano Assicurazioni S.p.A. as per Italian GAAP	**-512,679**	**13,331**
Effects deriving from the application of IAS/IFRS on the Parent Company:		
IAS 38 "Intangible assets"		
-Goodwill	18,900	18,900
- Other intangible assets	67	61
IAS 16-40 "Buildings and investment property"		
- Buildings	-2,948	-6,744
IAS 32 Financial Instruments: disclosures"		
- Treasury Shares	5,817	5,739
IAS 19 "Employee Benefits"		
- Leaving indemnity and other employment benefit	344	-85
IAS 39 "Financial Instruments"		
- Financial assets and liabilities	-191,184	-191,327
IFRS 4 "Insurance contracts"		
- Equalisation and unearned premium reserve	-1,660	3,683
- Actuarial reserves	7,645	11,428
- Service component linked policies (IAS 18)		
IFRS 2 "Share-based payments"		
- Other equity reserves		-459
Tax effect on IAS/IFRS adjustments	-21,453	52,104
Financial statements of Milano Assicurazioni in accordance with IAS/IFRS accounting standards	**-697,151**	**-93,369**
Consolidation adjustments:		
- Difference between valuation and share of net equity:		
Consolidated line-by-line	31,555	-3,032
Valued under the equity method	2,616	-1,926
- Difference allocated to assets	-12,845	-19,960
- Difference arising on consolidation	-3,079	
- Application of different accounting principles	-1,135	-26,159
- Difference on assets discontinued	-722	-3,815
- Elimination effects of inter-group operations:		
Dividends	-454	-369
Reversal realised gains		-6,268
- Tax effects of the consolidation adjustments	12,504	14,911
Consolidated financial statements of Milano Assicurazioni in accordance with IAS/IFRS (group share)	**-668,711**	**-139,987**

RECONCILIATION OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(in Euro thousands)	Net equity before result	
	31/12/2010	**31/12/2009**
Financial Statements of Milano Assicurazioni S.p.A. as per Italian GAAP	**1,923,942**	**1,963,734**
Effects deriving from the application of IAS/IFRS on the Parent Company:		
IAS 38 "Intangible assets"		
-Goodwill	139,012	120,112
- Other intangible assets	-71	-132
IAS 16-40 "Buildings and investment property"		
- Buildings	-61,399	-50,757
IAS 32 Financial Instruments: disclosures"		
- Treasury Shares	-13,899	-19,638
IAS 19 "Employee Benefits"		
- Leaving indemnity and other employment benefit	-1,438	-1,069
IAS 39 "Financial Instruments"		
- Financial assets and liabilities	31,275	143,806
IFRS 4 "Insurance contracts"		
- Equalisation and unearned premium reserve	44,866	41,183
- Actuarial reserves	43,869	-24,898
- Service component linked policies (IAS 18)		
IFRS 2 "Share-based payments"		
- Other equity reserves		459
Tax effect on IAS/IFRS adjustments	-79,416	-157,205
Financial statements of Milano Assicurazioni in accordance with IAS/IFRS accounting standards	**2,026,741**	**2,015,595**
Consolidation adjustments:		
- Difference carrying value and share of net equity:		
Consolidated line-by-line	-130,503	-163,491
Valued under the equity method	-15,107	-11,403
- Difference allocated to assets	54,390	110,520
- Difference arising on consolidation	62,117	92,962
- Application of different accounting principles	37,610	63,769
- Difference on assets discontinued	722	178
- Elimination effects of inter-group operations:		
Dividends	454	369
Reversal goodwill deriving from merger deficit	-25,451	-25,451
Other intra-group operations	-17,075	-10,807
- Tax effects of the consolidation adjustments	-21,939	-50,333
Consolidated financial statements of Milano Assicurazioni in accordance with IAS/IFRS (group share)	**1,971,959**	**2,021,908**

2. PROVISIONS

The account includes the reasonable valuation of the future charges and risks existing at the balance sheet date, also deriving from disputes in course. In particular:

- Euro 104,022 thousand relating to provision for risks, also related to disputes with the agency networks and disputes in course.
- Euro 32,117 thousand relating to provisions for future charges.

The movements are as follows:

(in Euro thousands)	
Value at beginning of year	89,801
Increases in the year	48,555
Utilisation in the year	-2,217
Other changes	-
Value at end of year	**136,139**

3. TECHNICAL RESERVES

Details of this account are shown below:

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
NON-LIFE DIVISION			
Unearned premium reserve	1,192,062	1,174,114	17,948
Claims reserve	4,096,194	3,936,933	159,261
Other	3,287	3,562	-275
Total Non-Life Division	**5,291,543**	**5,114,609**	**176,934**
LIFE DIVISION			
Actuarial reserves	3,648,679	3,599,033	49,646
Reserve for claims to be paid	48,886	39,163	9,723
Technical reserves where investment risk borne by policyholders and from pension fund management	188,076	224,411	-36,335
Other	-32,848	36,721	-69,569
Total Life Division	**3,852,793**	**3,899,328**	**-46,535**
TOTAL TECHNICAL RESERVES	**9,144,336**	**9,013,937**	**130,399**

The *unearned premium reserve* includes Euro 1,179,908 thousand of premium fraction reserve for direct business, Euro 11,396 thousand for the reserve for risks in course and Euro 758 thousand of unearned premium reserve relating to indirect business.

The claims reserve includes Euro 384,919 thousand accrued against claims referring to the year but not yet reported at the balance sheet date (I.B.N.R late claims reserve).

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

The actuarial reserve includes the additional reserve on the financial risk equal to Euro 37.3 million, determined according to ISVAP Regulation No. 21 of March 28, 2008.

The *Other life division technical reserves* principally include the reserve for future expenses (Euro 18.6 million) and the reserve for deferred liabilities due to policyholders, determined applying the shadow accounting method, as per paragraph 30 of IFRS 4 (negative for Euro 54.3 million).

The following movements took place in the technical reserves during the year:

(in Euro thousands)

	Non-Life Division	**Life Division**	**Total**
Value at beginning of year	5,114,609	3,899,328	9,013,937
Change in consolidation area	-	-	-
Increases in the year	1,349,162	539,432	1,888,594
Payments (-)	-1,586,789	-579,463	-2,166,252
Gains or losses recorded through profit or loss	428,948		428,948
Reserves acquired or transferred to other insurers	-3,803		-3,803
Other changes	-10,584	-6,504	-17,088
Reserve at end of year	**5,291,543**	**3,852,793**	**9,144,336**

The technical reserves of the life division amount to Euro 1,475 million concerning investment contracts with a discretional profit participation in accordance with the application of paragraph 2b) of IFRS 4.

4. FINANCIAL LIABILITIES

(in Euro thousands)	**31/12/2010**	**31/12/2009**	**Change**
Financial liabilities at fair value through profit or loss account	61,643	68,215	-6,572
Other financial liabilities	366,303	397,932	-31,629
TOTAL	**427,946**	**466,147**	**-38,201**

The financial liabilities designated at fair value essentially include (Euro 57,600 thousand) liabilities relating to life policies that, although legally insurance contracts, have an insignificant insurance risk and therefore do not fall within the remit of IFRS 4.

The other financial liabilities include deposits consisting of guarantees in relation to risks ceded in reinsurance (Euro 144,843 thousand), subordinated liabilities of Euro 151,807 thousand and bank payables (Euro 69,653 thousand).

The subordinated liabilities are composed as follows:

- Euro 50,685 thousand, equal to the amortised cost of the subordinated loan provided to Milano Assicurazioni by Mediobanca in 2006 for an original amount of Euro 150 million (Euro 100 million was repaid in July 2008). This loan provides for an interest rate of Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. The loan may also be repaid in advance, including partially, from the tenth anniversary of the loan and with authorisation from ISVAP.
- Euro 101,122 thousand, equal to the amortised costs of the loan of Euro 100 million provided to Milano Assicurazioni by Mediobanca in July 2008. This loan was of a hybrid nature and perpetual duration and is therefore included in the solvency margin up to 50% of the lower value between the available margin and the solvency margin requested. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months +350 basis points for the first ten years and subsequently 450 basis points. The repayment should be made in one repayment after 10 years.

5. PAYABLES

The account amounts to Euro 309,410 thousand and is comprised of:

(in Euro thousands)	**2010**	**2009**	**Change**
Payables from direct insurance operations	31,388	42,961	-11,573
Payables from reinsurance operations	40,428	37,811	2,617
Other payables	237,594	270,598	-33,004
TOTAL	**309,410**	**351,370**	**-41,960**

Payables from direct insurance operations include:
- Euro 14,674 thousand with insurance intermediaries;
- Euro 16,265 thousand for payables to insurance companies;
- Euro 449 thousand for payables for guarantee provisions for policyholders.

The payables deriving from reinsurance operations refer entirely to payables on reinsurance company current accounts.

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

(in Euro thousands)	**2010**
Policyholders' tax due	22,589
Other taxes due	18,624
Social security and welfare institutions	8,577
Trade payables	12,495
Post-employment benefits	24,728
Others	150,581
TOTAL	**237,594**

Post-employment benefits

It is recalled that due to the 2007 Finance Act (Law No. 296/2006) the Complementary Pension Reform was brought forward to January 1, 2007.
Based on this reform, employees of private sector companies with 50 or more employees had the option by June 30, 2007 to allocate the employee leaving indemnity matured from January 1, 2007 to complementary pension funds or maintain the amount in the company, which must then transfer these amounts to a Treasury Fund managed by INPS.

For the employees of companies with less than 50 employees this choice was optional. Where no choice was made by employees the leaving indemnity matured remained in the company.

For the purposes of the actuarial valuation of the liability related to the provision of the Employee Leaving Indemnity in accordance with IAS 19, and applying the indications of the technical organisations (Abi, Assirevi, Actuarial Body and OIC), the different cases were divided as follows:

- employees that opted for the maintaining of the employee leaving indemnity at the company: the actuarial criteria contained in IAS 19 for defined benefit plans were utilised;
- employees that opted for the allocation of the employee leaving indemnity to complementary pension schemes: the share of employee leaving indemnity matured at January 1, 2007, as a defined contribution plan, did not apply IAS 19.

The movements in the year are shown below:

(in Euro thousands)

Value at 31/12/2009	**26,768**
Costs relating to current employee services	975
Financial charges	370
Actuarial gain/(loss)	284
Utilisation for payments made	-3,669
Change in consolidation area	
Value at 31/12/2010	**24,728**

6. OTHER LIABILITIES

The breakdown is as follows:

(in Euro thousands)	**2010**	**2009**	**Change**
Current tax liabilities	2,164	-	2,164
Deferred tax liabilities	33,223	56,687	-23,464
Liabilities of a discontinued group held for sale	-	3,873,999	-3,873,999
Other liabilities	139,509	173,492	-33,983
TOTAL	**174,896**	**4,104,178**	**-3,929,282**

Deferred tax liabilities
The deferred tax liabilities, amounting to Euro 33,223 thousand, include the temporary tax differences relating to balance sheet and income statement accounts, which will be cancelled in future years.
Where permitted by IAS 12, the amounts are offset with deferred tax assets.

Other liabilities
The account amounts to Euro 139,509 thousand and is principally comprised of:
- commissions on premium collection of Euro 48,198 thousand;
- reinsurance premiums of Euro 8,092 thousand;
- over commissions paid for Euro 9,794 thousand;
- payments for claims in the non-life classes and sums in the life division in course of execution at the balance sheet date for Euro 29,281 thousand.

PART C - Information on the consolidated income statement

NET PREMIUMS

Net consolidated premiums amount to Euro 3,464,853 thousand – an increase of 1%.

Before reinsurance premiums written by the Group amounted to Euro 3,613,941 thousand, a decrease of 0.3%.

Premiums written in the life division amounted to Euro 527,782 thousand (+6.5%).

Premiums written in the non-life division amount to Euro 3,103,989 thousand (-1%).

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

(in Euro thousands)	**2010**	**2009**	**Change**
Gross Life premiums written	**527,782**	**495,528**	**32,254**
Gross Non-Life premiums written	3,103,989	3,136,126	-32,137
Change gross premium reserve	-17,830	-7,759	-10,071
Total Non-Life Division	**3,086,159**	**3,128,367**	**-42,208**
Gross premiums written	**3,613,941**	**3,623,895**	**-9,954**

(in Euro thousands)	**2010**	**2009**	**Change**
Life premiums ceded	**13,213**	**14,167**	**-954**
Non-Life premiums ceded	139,549	184,092	-44,543
Change in reinsurers reserves	-3,674	-4,516	842
Total Non-Life Division	**135,875**	**179,576**	**-43,701**
Premiums ceded To re-insurers	**149,088**	**193,743**	**-44,655**

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

COMMISSION INCOME

(in Euro thousands)	**2010**	**2009**	**Change**
Commission income	874	877	-3

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

The account also includes the management commissions on internal funds.

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

The account amounts to Euro 0.6 million of net charges compared to Euro 66.4 million of net income recorded in 2009. The change is due to the recording of valuation losses on some bond issues, affected by the volatility which still affects the financial markets and the decrease in income from life insurance products with risk borne by the policyholder which totalled Euro 10.6 million compared to Euro 37.5 million in the previous year.

The following table shows the composition of this income by type.

(in Euro thousands)	**Net interest**	**Other net income**	**Profits realised**	**Losses realised**	**Val. gains & rec. in values**	**Val. losses & adj. in values**	**Total 2010**	**Total 2009**	**Change**
Result of investments from:									
Financial assets held for trading	2,391	-88	1,096	-	-	-16,199	-12,800	14,774	-27,574
Financial assets designated at fair value through profit or loss	9,841	-874	1,538	-886	5,410	-3,461	11,568	50,774	-39,206
Financial liabilities held for trading	-	-	-	-	595	-	595	807	-212
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-
TOTAL	**12,232**	**-962**	**2,634**	**-886**	**6,005**	**-19,660**	**-637**	**66,355**	**-66,992**

INCOME AND CHARGES FROM OTHER FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS

The breakdown of the account is as follows:

(in Euro thousands)	**Net interest**	**Other net income**	**Profits realised**	**Losses realised**	**Val. gains & recovery in values**	**Val losses & adj. in values**	**Total 2010**	**Total 2009**	**Changes**
Result from:									
Investment property	-	13,651	61,083	-	-	-38,261	36,473	7,192	29,281
Investments in subsidiaries, associates and joint ventures	-	-39,628	-	-	-	-	-39,628	-48,063	8,435
Investments held to maturity	6,765	-	-	-	-	-	6,765	6,497	268
Loans and receivables	23,288	-	29	-141			23,176	24,508	-1,332
AFS financial assets	179,815	34,751	102,709	-56,590	261	-379,987	-119,041	215,025	-334,066
Receivables	2,161	-1,355	-	-	-	-	806	3,953	-3,147
Cash and cash equivalents	1,177	-31	-	-	-	-	1,146	2,907	-1,761
Other financial liabilities	-13,049	-					-13,049	-14,254	1,205
Payables	-677	-					-677	-995	318
TOTAL	**199,480**	**7,388**	**163,821**	**-56,731**	**261**	**-418,248**	**-104,029**	**196,770**	**-300,799**

The significant decrease in net income on investments follows impairments on financial instruments classified in the AFS category for a total amount of Euro 380 million (Euro 57.2 million in 2009). The continuation of poor financial market performances has for some securities in portfolio resulted in the recording a value lower than the book value for a continuous period of at least 2 years.
Therefore in line with the Group impairment policy declared in the 2009 annual accounts, the average costs of these securities were aligned with the stock market values at the end of the period, and therefore not considering the proper correlation of the stock market values vis-à-vis the fundamental values of the respective entities.
In particular, further impairments of Euro 212.4 million, of which Euro 93.7 million relating to the holding in Assicurazioni Generali and Euro 90 million relating to the holding in Unicredit are added to the impairments already recorded at June 30 (Euro 167.6 million, of which Euro 152 million relating to the holding of Milano Assicurazioni in the parent company Fondiaria-Sai).

In relation to the other types of financial income:

- interest income totalling Euro 213.2 million, a decrease on Euro 251 million in 2009, due to the continuation of the expansive monetary policy by the relevant authorities with the maintenance of low base interest rates in order to foster a recovery, which remains tentative;
- net profits to be realised on investments amounting to Euro 107.1 million compared to Euro 31.3 million in the previous year and concerning the sale of real estate for Euro 61.1 million and trading profits on financial instruments for Euro 46 million, principally as a result of the trading activity which took advantage of the opportunities offered by an extremely volatile market, within an uncertain economic environment and with fresh concerns surrounding the sustainability of the public debt of some European states;

- the holdings in associated companies, valued under the equity method, recorded net losses of Euro 39.6 million. The result principally follows the loss of Atahotels in 2010 of Euro 51.8 million, contributing a loss of Euro 30.5 million to the overall result of Milano Assicurazioni (based on the 49% holding) and the full write-down of the goodwill previously allocated to the investment. The loss relates both to the difficult context which continues to affect the hotel sector and to extraordinary charges recorded in the 2010 financial statements.

OTHER REVENUES

The other income amounts to Euro 166,541 thousand and is composed of:

(in Euro thousan ds)	**2010**	**2009**	**Change**
Other technical income	32,026	27,478	4,548
Utilisation of provisions	2,217	7,779	-5,562
Exchange differences	12,836	1,157	11,679
Prior year income	10,951	8,983	1,968
Gains realised on fixed assets	315	5,851	-5,536
Recovery of expenses and administrative cost	86,852	87,306	-454
Other revenue	21,352	36,731	-15,379
TOTAL	**166,549**	**175,285**	**-8,736**

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

NET CHARGES RELATING TO CLAIMS

The claims paid, including the sums of the life classes and the relative expenses, gross of the quota ceded in reinsurance, amount to Euro 3,233,813 thousand, an increase of 3.6% on the previous year (+5.2% in the non-life division and -2.8% in the life division).

The table below shows the breakdown of the accounts relating to direct and indirect premiums, as well as the reinsurance share.

Claims costs, amounts paid and changes in technical reserves

(in Euro thousands)	**2010**	**2009**	**Change**
Non-Life Division			
Amount paid	2,644,335	2,514,177	130,158
Change in recoveries	-55,869	-60,303	4,434
Change in other technical reserves	-145	-155	10
Change in claims reserve	158,758	159,458	-700
Total Non-Life	**2,747,079**	**2,613,177**	**133,902**
Life Division			
Sums paid	589,478	606,631	-17,153
Change in actuarial reserve and other technical reserves	35,589	-14,800	50,389
Change in technical reserves where investment risk borne by policyholders and from pension fund management	-39,360	-4,775	-34,585
Change reserve for sums to be paid	9,721	765	8,956
Total Life	**595,428**	**587,821**	**7,607**
TOTAL NON-LIFE + LIFE	**3,342,507**	**3,200,998**	**141,509**
Amount paid	3,233,813	3,120,808	113,005
Change reserves	108,694	80,190	28,504

The increase in the claims reserve principally relates to the Motor class and primarily due to the need to strengthen the claims reserves, taking account of the increase in the average cost of claims paid, due in part to the adoption by the main courts of new and more punitive physical injury compensation tables.

Claims costs, reinsurers portion

(in Euro thousands)	**2010**	**2009**	**Change**
NON-LIFE DIVISION			
Amount paid	74,605	81,418	-6,813
Change in other technical reserves	-	-	-
Change in recoveries	-	-	-
Change in claims reserve	-21,149	19,408	-40,557
Total Non-Life	**53,456**	**100,826**	**-47,370**
LIFE DIVISION			
Amount paid	27,080	28,105	-1,025
Change in actuarial reserve and other tech nical reserves	-18,775	-14,917	-3,858
Change reserve for sums to be paid	2,365	-7	2,372
Total Life	**10,670**	**13,181**	**-2,511**
TOTAL NON-LIFE + LIFE	**64,126**	**114,007**	**-49,881**
Amount paid	101,685	109,523	-7,838
Change reserves	-37,559	4,484	-42,043

COMMISSION EXPENSE

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

(in Euro thousands)	**2010**	**2009**	**Change**
Commission expenses	82	120	-38

MANAGEMENT EXPENSES

The breakdown of the account is as follows:

(in Euro thousands)	**2010**	**2009**	**Change**
NON-LIFE DIVISION			
Acquisition commissions and changes in deferred acquisition costs	449,296	464,211	-14,915
Other acquisition expenses	93,667	90,365	3,302
Collection commissions	26,121	26,056	65
Commissions and profit participation received from reinsurers	-44,258	-40,048	-4,210
Total Non-Life	**524,826**	**540,584**	**-15,758**
LIFE DIVISION			
Acquisition commissions and changes in deferred acquisition costs	7,431	9,486	-2,055
Other acquisition expenses	8,349	8,733	-384
Collection commissions	4,120	5,023	-903
Commissions and profit participation received from reinsurers	-3,444	-2,765	-679
Total Life	**16,456**	**20,477**	**-4,021**
Investment management charges	4,107	5,389	-1,282
Other administration expenses	123,445	115,595	7,850
TOTAL	**668,834**	**682,045**	**-13,211**

The acquisition costs of direct business matured in the year (acquisition commissions and other acquisition expenses) amount to Euro 558,743 thousand.

OTHER COSTS

The other costs amount to Euro 335,182 thousand and are comprised of:

(in Euro thousands)	**2010**	**2009**	**Change**
Other technical charges	132,229	121,279	10,950
Provisions	44,845	11,715	33,130
Losses on receivables	18,483	8,130	10,353
Prior year charges	4,415	4,291	124
Depreciation of tangible assets	868	1,628	-760
Amortisation of intangible assets	8,375	7,393	982
Exchange differences	4,624	-	4,624
Impairment on tangible assets	1,068	-	1,068
Impairment on intangible assets	3,079	-	3,079
Administrative costs/expenses incurred for third parties	86,852	87,306	-454
Other expenses	30,344	47,772	-17,428
TOTAL	**335,182**	**289,514**	**45,668**

INCOME TAXES

Income taxes for the year recorded income of Euro 82,697 thousand, consisting of current taxes of Euro 229 thousand and net deferred tax income of Euro 82,926 thousand, as shown in the following table.

(in Euro thousands)	
Current taxes	229
Deferred tax liabilities arising in the year	25,609
Deferred tax liabilities utilised in the year	-18,229
Deferred tax assets arising in the year	-110,481
Deferred tax assets utilised in the year	20,175
TOTAL	**-82,697**

Deferred tax assets arising in the year include:

- the potential tax benefit related to the tax loss recorded by Milano Assicurazioni of Euro 34,648 thousand;
- the potential tax benefit related to the tax losses recorded by the Milano Assicurazioni subsidiary companies which participate in the tax consolidation of the Fondiaria-SAI group, amounting overall to Euro 22,212 thousand.

The above-stated tax benefits were recorded to the financial statements when:

- a reasonable certainty exists of future assessable tax income which can absorb the losses within a five year period from which they are deductible in accordance with the applicable tax regulations;
- the losses derive from easily identifiable circumstances, and it is reasonably certain that these circumstances will not be repeated.

The verification of the possibility that the benefits related to the tax losses will be gained was carried out based on the 2011 Budget, recently approved by the Board of Directors of the parent company and on the outlook for the coming years, taking account of the performance indicators drawn up by management.

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

(in Euro thousands)	**2010**
Profit (loss) before taxes	-751,588
Taxes on theoretical income (only IRES 27.50%)	-206,687
Tax effect from changes in permanent differenc es	128,729
Other differences	-3,250
Taxes on income (excluding regional tax)	**-81,208**
Irap regional tax	-1,489
TOTAL taxes for the year	**-82,697**

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

Having fulfilled the necessary requirements, Milano Assicurazioni as the consolidated company, and Fondiaria-SAI as the consolidating company, jointly renewed the Group taxation option in accordance with Article 117 and subsequent of the income tax act for the three year period 2010-12 in order to optimise the overall tax charge.
In 2010 the Company and the consolidating company signed an agreement concerning the rules of the so-called tax consolidation which establishes uniform conditions for all of the companies participating in the tax consolidation of the Fondiaria-SAI Group.

The structure of the agreement establishes a balanced allocation of advantages deriving from the tax consolidation: each consolidated company is recognised potential advantages deriving from the consolidation which will establish a tax position in principle not inferior than that which would have been achieved without the tax consolidation. Therefore, qualifying as a sub-holding, the Company is guaranteed, in comparison to its subsidiaries, a similar position to that which would have been obtained exercising the option as a consolidating company in the tax consolidation.

Profit from discontinued operations

This amounts to Euro 3,281 thousand and comprises Euro 3,983 thousand of the net gains realised following the conferment to the Rho Fund of the property at Trieste, Riva Tommaso Gulli and for Euro 702 thousand of the loss following the sale of the 51% holding in Bipiemme Vita.

FURTHER INFORMATION

Earnings per share

	2010	2009
Net profit/(loss) attributed to the ordinary shareholders of the parent company (Euro thousand)	-636,872	-131,216
Weighted average number of ordinary shares to calculate the basic earnings per share	550,670,914	550,670,914
Earnings/(loss) per share – in Euro	-1.16	-0.24

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

It is noted that:

- the net result of operating activities attributable to ordinary shareholders of the Parent Company is calculated subtracting from the Group net result the share of the savings shareholders;
- the weighted average shares outstanding is calculated net of the weighted average treasury shares held.

In accordance with paragraph 68 of IAS 33, we report for 2010 the earnings per share from discontinued operations:

	2010
Net profit/(loss) attributed to the ordinary shareholders of the parent company (Euro thousand)	3,110
Weighted average number of ordinary shares to calculate the basic earnings per share	550,670,914
Earnings/(loss) per share from discontinued operations – in Euro	0.01

It is currently not necessary to calculate the diluted earnings per share.

Dividends paid and proposed

Information is provided below in accordance with IAS 1.125a and 125b:

(in Euro thousands)	2010	2009
Declared and paid in the year		
Dividends on ordinary shares	55,067	82,600
Dividends on savings shares	3,554	5,091
Proposal for approval by the Shareholders' Meeting		
Dividends on ordinary shares	-	55,067
Dividends on savings shares	-	3,554

PART D – Segment Information

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

The primary reporting of the Group is by sector of activity. The companies of the Group are organised and managed separately based on the nature of their products and services, for each sector of activity which represents a strategic business unit which offers different products and services.
In order to identify the primary sectors, the Group made an analysis of the risk-return profile of the sectors and considered the internal reporting structure.

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

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

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

Balance sheet by segment

		Non-Life Division		Life Division	
		2010	2009	2010	2009
1	**INTANGIBLE ASSETS**	**224,164**	**244,378**	**25,325**	**25,343**
2	**PROPERTY, PLANT & EQUIPMENT**	**11,918**	**12,058**	**28**	**32**
3	**TECHNICAL RESERVES – REINSURANCE AMOUNT**	**331,741**	**360,255**	**102,911**	**119,068**
4	**INVESTMENTS**	**4,395,130**	**4,619,801**	**4,186,895**	**4,257,136**
4.1	Investment property	639,107	648,230		
4.2	Investments in subsidiaries, associates and joint ventures	86,102	84,036	1,829	1,850
4.3	Investments held to maturity			121,798	114,924
4.4	Loans and receivables	195,417	126,363	446,994	365,232
4.5	Financial assets available-for-sale	3,456,620	3,731,515	3,345,568	3,460,871
4.6	Financial assets at fair value through the profit or loss account	17,884	29,657	270,706	314,259
5	**OTHER RECEIVABLES**	**953,869**	**1,007,332**	**74,127**	**159,174**
6	**OTHER ASSETS**	**347,560**	**198,266**	**49,864**	**4,132,297**
6.1	Deferred acquisition costs		19,993	7,477	7,868
6.2	Other assets	347,560	178,273	42,387	4,124,429
7	**CASH AND CASH EQUIVALENTS**	**232,280**	**212,536**	**44,545**	**9,988**
	TOTAL ASSETS	**6,496,662**	**6,654,626**	**4,483,695**	**8,703,038**
1	**SHAREHOLDERS' EQUITY**				
2	**PROVISIONS**	**125,539**	**81,110**	**7,750**	**5,941**
3	**TECHNICAL RESERVES**	**5,291,543**	**5,114,609**	**3,852,793**	**3,899,328**
4	**FINANCIAL LIABILITIES**	**160,064**	**160,323**	**197,409**	**221,961**
4.1	Financial liabilities at fair value through profit or loss account	1,506	795	59,317	66,006
4.2	Other financial liabilities	158,558	159,528	138,092	155,955
5	**PAYABLES**	**264,124**	**265,304**	**38,284**	**67,865**
6	**OTHER LIABILITIES**	**134,055**	**195,426**	**116,723**	**3,908,440**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

Real Estate Sector		Other		Inter-segment Eliminations		Total	
2010	2009	2010	2009	2010	2009	2010	2009
523	**569**		**111**			**250,012**	**270,401**
52,071	**52,194**	**94**	**85**			**64,111**	**64,369**
						434,652	**479,323**
528,379	**573,226**	**-**	**-**	**- 9,261**	**- 6,268**	**9,101,143**	**9,443,895**
370,503	436,581			- 9,261	- 6,268	1,000,349	1,078,543
114,460	103,445			-	-	202,391	189,331
						121,798	114,924
18,093	18,993					660,504	510,588
25,323	14,207					6,827,511	7,206,593
						288,590	343,916
10,105	**5,852**	**2,785**	**2,931**	**- 6,068**	**- 803**	**1,034,818**	**1,174,486**
3,964	**2,912**	**77**	**1,047**	**- 73,572**	**- 655**	**327,893**	**4,333,867**
						7,477	27,861
3,964	2,912	77	1,047	- 73,572	- 655	320,416	4,306,006
3,118	**15,481**	**4,722**	**9,010**			**284,665**	**247,015**
598,160	**650,234**	**7,678**	**13,184**	**- 88,901**	**- 7,726**	**11,497,294**	**16,013,356**
						1,304,567	**1,987,923**
2,800	**2,750**	**50**				**136,139**	**89,801**
						9,144,336	**9,013,937**
70,473	**83,863**	**-**	**-**	**-**	**-**	**427,946**	**466,147**
820	1,414					61,643	68,215
69,653	82,449					366,303	397,932
5,783	**9,325**	**7,287**	**9,679**	**- 6,068**	**- 803**	**309,410**	**351,370**
497	**531**	**186**	**436**	**- 76,565**	**- 655**	**174,896**	**4,104,178**
						11,497,294	**16,013,356**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

Segment Income Statement

		Non-Life Division		Life Division	
		2010	2009	2010	2009
1.1	Net premiums	2,950,284	2,948,791	514,569	481,361
1.1.1	*Gross premiums written*	3,086,159	3,128,367	527,782	495,528
1.1.2	*Premiums ceded to re-insurers*	- 135,875	- 179,576	- 13,213	- 14,167
1.2	Commission income	-	-	874	877
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	- 9,541	24,391	8,309	41,428
1.4	Income from investments in subsidiaries, associates and joint ventures	806	2,473		
1.5	Income from other financial instruments and property investments	235,459	180,236	199,448	195,138
1.6	Other revenue	144,902	134,720	12,103	6,252
1	**TOTAL REVENUES AND INCOME**	**3,321,910**	**3,290,611**	**735,303**	**725,056**
2.1	Net charges relating to claims	- 2,693,623	- 2,512,351	- 584,758	- 574,640
2.1.1	*Amounts paid and changes in technical reserves*	- 2,747,079	- 2,613,177	- 595,428	- 587,821
2.1.2	*Reinsurers' share*	53,456	100,826	10,670	13,181
2.2	Commission expenses			- 82	- 120
2.3	Charges from investments in subsidiaries, associates and joint ventures	- 34,750	- 13,291	- 346	- 308
2.4	Charges from other financial instruments and property investments	- 382,996	- 83,119	- 99,213	- 45,989
2.5	Management expenses	- 639,267	- 645,742	- 29,567	- 33,145
2.6	Other expenses	- 301,937	- 236,862	- 22,224	- 18,920
2	**TOTAL COSTS AND CHARGES**	**- 4,052,573**	**- 3,491,365**	**- 736,190**	**- 673,122**
	PROFIT/(LOSS) BEFORE TAXES	**- 730,663**	**- 200,754**	**- 887**	**51,934**
	INCOME TAXES				
	PROFIT FROM DISCONTINUED OPERATIONS				
	CONSOLIDATED LOSS				
	group share				
	minority share				

Real Estate Sector		Other		Inter-segment Eliminations		Total	
2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
-	-	-	-	-	-	3,464,853	3,430,152
						3,613,941	3,623,895
						- 149,088	- 193,743
						874	877
595	536					- 637	66,355
921	100					1,727	2,573
12,444	4,998		83			447,351	380,455
5,229	3,420	9,259	30,893	- 4,944		166,549	175,285
19,189	**9,054**	**9,259**	**30,976**	**- 4,944**	**-**	**4,080,717**	**4,055,697**
-	-	-	-	-	-	- 3,278,381	- 3,086,991
						- 3,342,507	- 3,200,998
						64,126	114,007
						- 82	- 120
- 6,259	- 30,769				- 6,268	- 41,355	- 50,636
- 29,543	- 6,459		- 55			- 511,752	- 135,622
			- 3,158			- 668,834	- 682,045
- 7,122	- 6,124	- 8,843	- 27,608	4,944		- 335,182	- 289,514
- 42,924	**- 43,352**	**- 8,843**	**- 30,821**	**4,944**	**- 6,268**	**- 4,835,586**	**- 4,244,928**
- 23,735	**- 34,298**	**416**	**155**	**-**	**- 6,268**	**- 754,869**	**- 189,231**
						82,697	50,834
						3,281	485
						- 668,891	**- 137,912**
						- 668,711	- 139,987
						- 180	2,075

PART E – Financial risk management

The Solvency II convergence project

In relation to the preparation for the entry into force of the Solvency II Directive, the Fondiaria SAI Group followed closely the work undertaken by CEIOPS concerning the second implementation level measures of the Directive. The Group participated in all of the Quantitative Impact Studies, preparatory for the calibration of the new capital requirements, progressively extending the number of companies of the Group participating. In 2006, Fondiaria-SAI and Milano participated at QIS2 with a small number of Italian companies. In 2007, eleven companies of the Group adhered to QIS3 (with a coverage level of 94% of the reserves), while the following year saw the participation of all the consolidated insurance companies in QIS4, as was the case for the Fifth Quantitative Impact Study carried out in the final months of 2010.

Through the Quantitative Impact Studies, the capital requirements were calculated both for the standard model and for the internal model. The adjustment of the insurance companies towards the Solvency II regulations was seen as a strategic opportunity to optimise the management of the business.

This adjustment took place through an initial analysis of the regulatory gaps – subsequently updated in view of the progressive consolidation of the regulatory framework – on the basis of which a strategic intervention plan was drawn up through transversal projects within the various areas of the business. The plan was approved by the Board of Directors with emphasis on the utilisation of the internal model, not only as an instrument for the calculation of the capital requirements, but particularly as a system for a more efficient management of the business, through greater knowledge in the underwriting of the risks and in the allocation of capital. In support of this process, a training and communication programme on Solvency II commenced in the year which progressively involves all levels of staff, in order to heighten awareness throughout the company of the importance of adequate risk management.

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

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

- aimed at generating a culture of risk management within the Group based on the different hierarchy levels involved;
- based on an integrated viewpoint of all of the current and future risks which the Group is exposed to and evaluating the impact that these risks can have on solvency and the reaching of objectives.

Within the ERM system, the internal model provides numerous quantitative instruments. Some of these aim to obtain information on the size of operational risks:

- the economic capital;
- measure Risk Adjusted profit;
- fixed operating limits also using Value at Risk.

The model adopted for the valuation of the risk is based on the estimate of the Economic Capital (EC), or rather a Risk Capital model to estimate the capital necessary to evaluate the solvency of the Group, in line with the risk appetite objective[1]. The model is in continual evolution and is regularly updated with the objective to always render it adequate to the risks assumed, to the changes in the regulations and to the technical and methodological innovations.

2 Information on Financial Risks

2.1 *Objectives and criteria of the Financial Risk Management*

In relation to the financial risk management objectives and policies, as well as the Group mitigation policies, the Board of Directors of the parent company Fondiaria-SAI issued guidelines for the allocation of the securities portfolio and the use of financial instrument derivatives.

The policy adopted has the objective to guarantee:

- adequate diversification, avoiding excessive concentration;
- a readily liquid portion of investments;
- structuring of the assets with liabilities through the utilisation of ALM policies;
- a prudent management, limiting the exposure in securities with low credit ratings;
- a use of derivative instruments principally for hedging purposes.

In accordance with these objectives, within the Group Risk Policy approved by the Board of Directors of the insurance company, the operating limits were defined with reference to all the financial risk types, considering also any exposures to risk concentration.

[1] Based on the Guidelines of the Board of Directors' resolution of May 10, 2007, the risk tolerance threshold was fixed at 99.5%, compatible with the objective "A" rating on the basis of Standard & Poor's capital model. This threshold is applied, both in the calculation of the Economic capital within the internal model and in the stochastic measure within the structure of the operating limits and in particular within the management guidelines of the securities portfolio.

The structure of the limits is extended to the principal asset classes which make up the investments, in particular, the limits are defined in terms of:

- maximum percentage per asset class of the total of the Assets Under Management (Total Investments);
- limits of concentration by issuer/counterparty;
- limits in terms of rating;
- limits in terms of VaR;
- limits in terms of duration gap (broken down between Non-Life and Life);
- limits in terms of minimum hedging on the strategic investments;
- limits in terms of liquidity: maximum percentage of “illiquid” instruments.

The portfolio structure of the assets in the Life Division is in line with the structure of the liabilities, in which the securities cover the liabilities. For the Non-Life Division, the assets are selected also in consideration of the foreseeable development of the settlement of claims in relation to the relevant reserves. The guidelines on investments and the investment risk management system will be revised in view of the provisions contained in ISVAP Regulation No. 36 of January 31, 2011 on next application.

2.2 Market Risk

Market risk refers to “the risk of losses from changes in interest rates, in share prices, exchange rates and property prices”.

The Group monitoring system provides for the evaluation of the economic impact deriving from these variables through measures such as VaR which permit:

- The obtaining of uniform measures of risks which permit the comparison of different instruments;
- Determine position limits;
- Construction of “risk-adjusted” measures.

In particular, the measures adopted are:

- the short-term VaR or rather the VaR calculated on a time period of 10 working days;
- the Risk Capital, or rather the VaR calculated on a time period of one year.

The analysis of the VaR and the Risk Capital at December 31, 2010 and December 31, 2009 is shown below of the equity and bond portfolio calculated at a confidence level of 99.5%.

Analysis of the values and of the Value at Risk at 31/12/2010

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	9.76	9.66	0.24	9.90
Total Bonds and Funds	80.67	1.12	0.04	1.16
Total non-listed shares	4.98	3.04	0.03	3.07
Total	95.41	2.09	0.06	2.16
Other assets	4.59	1.12	0.02	1.14
Total	100.00	2.05	0.06	2.11

Analysis of the values and of the Value at Risk at 31/12/2009

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	9.55	13.05	0.37	13.43
Total Derivatives	0.01	-222.88	0.00	-222.88
Net equity exposure	9.56	12.90	0.37	13.27
Total Bonds and Funds	80.66	1.05	0.04	1.09
Total non-listed shares	5.09	8.57	0.02	8.59
Total	95.30	2.64	0.07	2.71
Other assets	4.70	2.62	0.03	2.64
Total	100.00	2.64	0.07	2.71

Notes:

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

Analysis of the values and Risk Capital at 31/12/2010

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	9.76	37.75	1.14	38.89
Total Bonds and Funds	80.67	4.25	0.19	4.44
Total non-listed shares	4.98	13.69	0.15	13.84
Total	95.41	8.17	0.28	8.45
Other assets	4.59	4.24	0.11	4.35
Total	100.00	7.99	0.27	8.26

Analysis of the values and Risk Capital at 31/12/2009

Type	Composition % (Exact holding)	Risk Capital Price Rate %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	9.55	45.62	1.71	47.33
Total Derivatives	0.01	-672.85	0.00	-672.85
Net equity exposure	9.56	45.15	1.71	46.86
Total Bonds and Funds	80.66	3.58	0.16	3.74
Total non-listed shares	5.09	33.36	0.11	33.46
Total	95.30	9.34	0.32	9.65
Other assets	4.70	9.29	0.13	9.41
Total	100.00	9.34	0.31	9.64

Notes:

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

The reduction of the risk of the portfolio compared to 31/12/2010 is principally due to the equity component arising from the contraction in volatility and the change in the method in measuring equity risk.

2.2.1 Interest rate risk

In relation to the interest rate risk, or rather "the risk of unexpected loss deriving from an adverse movement in interest rates", the exposure of the Group principally regards debt securities and in particular long maturity. In order to limit this risk, the Group utilises a mix between fixed income securities and variable rates. The ALM management has the aim to maintain an equilibrium in duration between assets and liabilities.
Through the utilisation of stochastic models, in addition to the VaR estimate, stress tests are also undertaken utilising extreme situations. The table below reports a sensitivity analysis of the value of the bond portfolio corresponding to an increase and a decrease in the interest rates of 50 bp.

Sensitivity analysis of the bond component

	+ 50 bp		- 50 bp	
(€ millions)	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Total	**-118**	**-115**	**124**	**122**
Non-Life	-32	-28	32	29
Life	-87	-87	92	93

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

The table below shows the analysis of the duration, of the VaR and of the Risk Capital of the bond portfolio at 31/12/2010 divided by type of issuer and maturity.

Analysis of the bond component by VaR and Risk Capital maturity

Type	Composition % (Exact holding)	Duration Macaulay	VaR Rate %	Risk Capital Rate %
Governament Euro	**79.57**	**4.35**	**1.08**	**4.06**
Variable rate	***18.59***	***1.26***	***0.48***	***1.93***
Fixed rate	***60.98***	***5.26***	***1.26***	***4.71***
0,0< <=1,5	8.87	0.87	0.45	0.23
1,5< <=3,0	16.38	2.13	0.96	2.80
3,0< <=5,5	13.12	3.85	1.33	5.25
5,5< <=7	1.25	5.62	1.56	6.58
>7	21.37	9.75	1.76	7.60
Corporate Euro	**18.06**	**4.09**	**1.25**	**4.86**
Variable rate	***0.75***	***0.13***	***0.04***	***1.07***
Fixed rate	***17.31***	***4.26***	***1.31***	***5.02***
0,0< <=1,5	1.43	0.75	0.38	0.27
1,5< <=3,0	3.06	2.10	0.94	2.77
3,0< <=5,5	6.52	3.60	1.28	4.95
5,5< <=7	3.54	5.46	1.68	7.04
>7	2.76	7.72	1.76	7.56
Euro Bond Funds	**1.51**	**1.11**	**0.46**	**1.04**
Fixed rate	***1.51***	***1.11***	***0.46***	***1.04***
0,0< <=1,5	1.18	0.49	0.25	0.06
1,5< <=3,0	0.18	2.85	1.13	3.96
3,0< <=5,5	0.15	3.77	1.30	5.07
Governament Non Euro	**0.53**	**3.92**	**0.22**	**0.34**
Variable rate	***0.01***	***0.17***	***0.02***	***0.00***
Fixed rate	***0.52***	***3.99***	***0.23***	***0.35***
0,0< <=1,5	0.18	0.54	0.05	0.00
3,0< <=5,5	0.25	4.27	0.28	0.45
>7	0.09	9.98	0.42	0.75
Corporate Non Euro	**0.32**	**1.51**	**0.15**	**0.17**
Variable rate	***0.02***	***0.07***	***0.00***	***0.52***
Fixed rate	***0.30***	***1.60***	***0.16***	***0.14***
0,0< <=1,5	0.18	0.87	0.09	0.02
1,5< <=3,0	0.09	2.24	0.25	0.29
3,0< <=5,5	0.02	2.82	0.36	0.52
5,5< <=7	0.01	5.33	0.22	0.35
Total Bonds	**98.49**	**4.29**	**1.10**	**4.18**
Total	**100.00**	**4.24**	**1.09**	**4.13**

Notes:

- The percentage weight is calculated taking as reference the values utilised in the analysis.
- The analysis does not include structured securities.

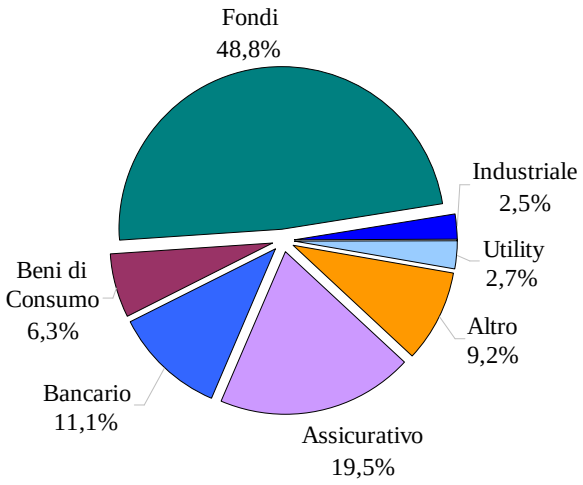
Equity risk, exchange risk and real estate risk

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

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

The graphs below show the composition of the portfolio of the equity sector.

Equities portfolio composition of the Milano Assicurazioni Group



Milano Assicurazioni Group Non-Life Division **Milano Assicurazioni Group Life Division**

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

Sensitivity analysis of the listed equity portfolio

(€ millions)	31/12/2010	31/12/2009
Total	**-73**	**-73**
Non-Life	-51	-46
Life	-22	-27

Notes:

- Sensitivity relating solely to financial assets and not ALM.

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

Analysis of the composition and of the Value at Risk

Type	Currency	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Shares	**Norwegian Crown**	0.01	27.18	3.85	31.03
	US Dollar	0.02	20.20	5.14	25.35
	Euro	9.21	9.65	0.00	9.65
	Swiss Franc	0.16	7.88	4.35	12.24
	UK Sterling	0.36	9.73	4.27	13.99
	Total listed shares	**9.76**	**9.66**	**0.24**	**9.90**
Bond funds	**Euro**	1.37	1.54	0.00	1.54
Bonds	**US Dollar**	0.31	0.27	5.20	5.47
	Euro	78.62	1.12	0.00	1.12
	Swiss Franc	0.37	0.14	4.42	4.55
	Total Bond Funds	**80.67**	**1.12**	**0.04**	**1.16**
Shares	**US Dollar**	0.03	7.65	5.14	12.79
	Euro	4.95	3.01	0.00	3.01
	Total non-listed shares	**4.98**	**3.04**	**0.03**	**3.07**
	Total	**95.41**	**2.09**	**0.06**	**2.16**
	US Dollar	0.02	1.11	5.16	6.27
	Euro	4.57	1.12	0.00	1.12
	Other assets	**4.59**	**1.12**	**0.02**	**1.14**
	Total	**100.00**	**2.05**	**0.06**	**2.11**

Notes:

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

Analysis of composition and Risk Capital

Type	Currency	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Shares	**Norwegian Crown**	0.01	83.06	18.12	**N/A**
	US Dollar	0.02	59.44	23.73	83.16
	Euro	9.21	37.68	0.00	37.68
	Swiss Franc	0.16	33.31	20.33	53.64
	UK Sterling	0.36	39.21	19.95	59.16
	Total listed shares	**9.76**	**37.75**	**1.14**	**38.89**
Bond funds	**Euro**	1.37	5.54	0.00	5.54
Bonds	**US Dollar**	0.31	0.39	23.98	24.37
	Euro	78.62	4.26	0.00	4.26
	Swiss Franc	0.37	0.19	20.62	20.80
	Total Bond Funds	**80.67**	**4.25**	**0.19**	**4.44**
Shares	**US Dollar**	0.03	33.62	23.73	57.34
	Euro	4.95	13.57	0.00	13.57
	Total non-listed shares	**4.98**	**13.69**	**0.15**	**13.84**
	Total	**95.41**	**8.17**	**0.28**	**8.45**
	US Dollar	0.02	4.19	23.81	28.00
	Euro	4.57	4.25	0.00	4.25
	Other assets	**4.59**	**4.24**	**0.11**	**4.35**
	Total	**100.00**	**7.99**	**0.27**	**8.26**

Notes:

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

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

2.3 Credit Risk

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

- Counterparty Default Risk, the risk of possible losses due to unexpected non compliance of the counterparties and of the debtors, excluding issuers of bond securities which are within the spread risk. In general, this category includes receivables from reinsurers, other receivables and receivables relating to derivatives.
- Spread Risk, the risk related to the change in the value of the bonds held in portfolio against changes in the ratings level of the issuer.

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

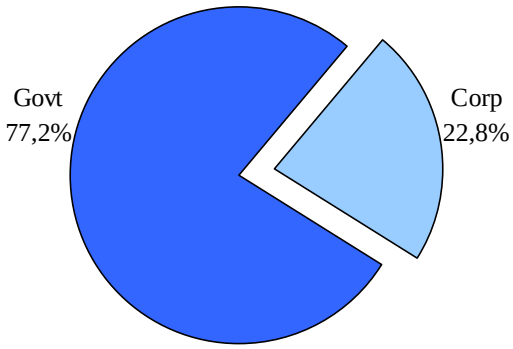
The first model evaluates the probability of default of the issuers present in the portfolio, while the second takes into account the loss in value of the portfolio as a consequence of "migration" of the issuers from one class to another rating. This latter is considered more adequate for the total determination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

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

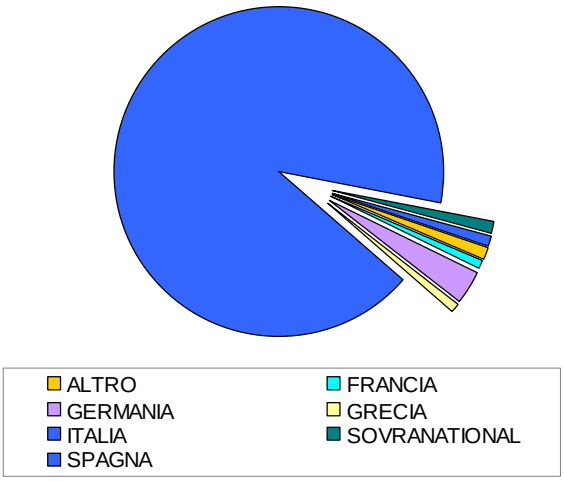
In the Group companies operating in the banking sector, the credit risk is analysed through constant monitoring of the quality of the loans. Relating to the receivables from other banks constant valuation is made with reference to the ratings and the limits imposed by the Board of Directors. The receivables from customers principally involve secured guarantees and the allocation of capital is calculated using the regulatory coefficients. The internal control system reports the distribution and the migration between the various classes illustrating the anomalies.

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

Composition of the Bond portfolio

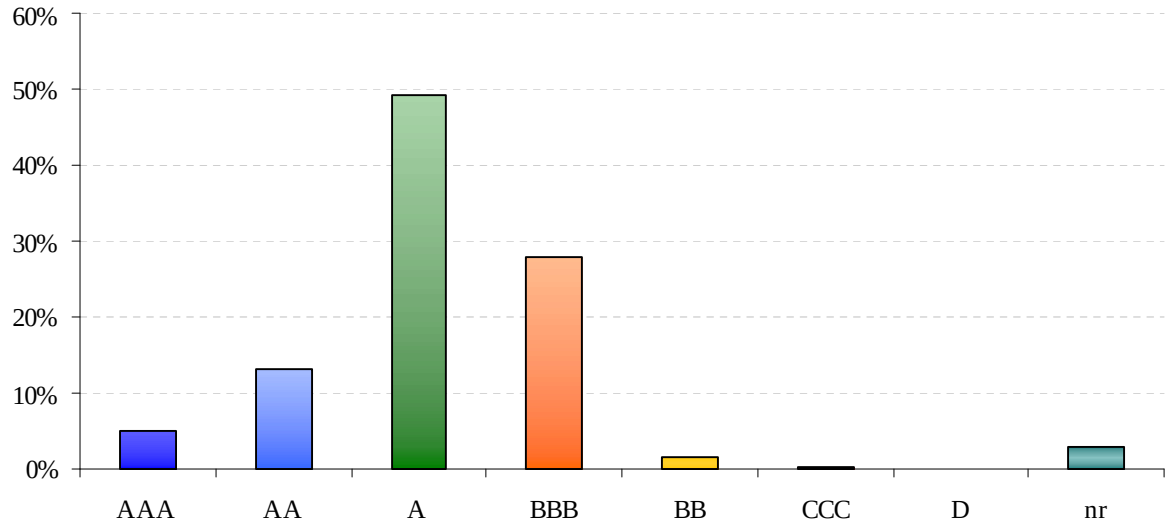


Government bonds by country

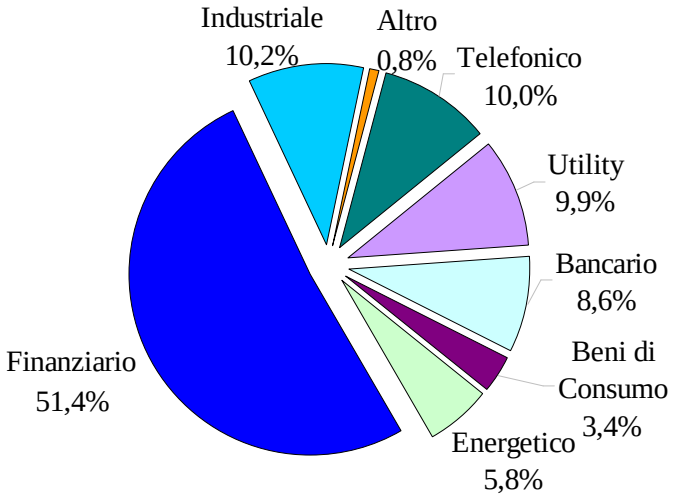


Issuing country	(%)
AUSTRIA	0,13
BELGIUM	0,46
CANADA	0,06
FINLAND	0,15
FRANCE	0,75
GERMANY	3,35
JAPAN	0,03
GREECE	0,87
IRELAND	0,09
ITALY	91,69
MEXICO	0,05
PORTUGAL	0,02
SOVRANATIONAL	0,95
SPAIN	1,19
USA	0,08
SWITZERLAND	0,12

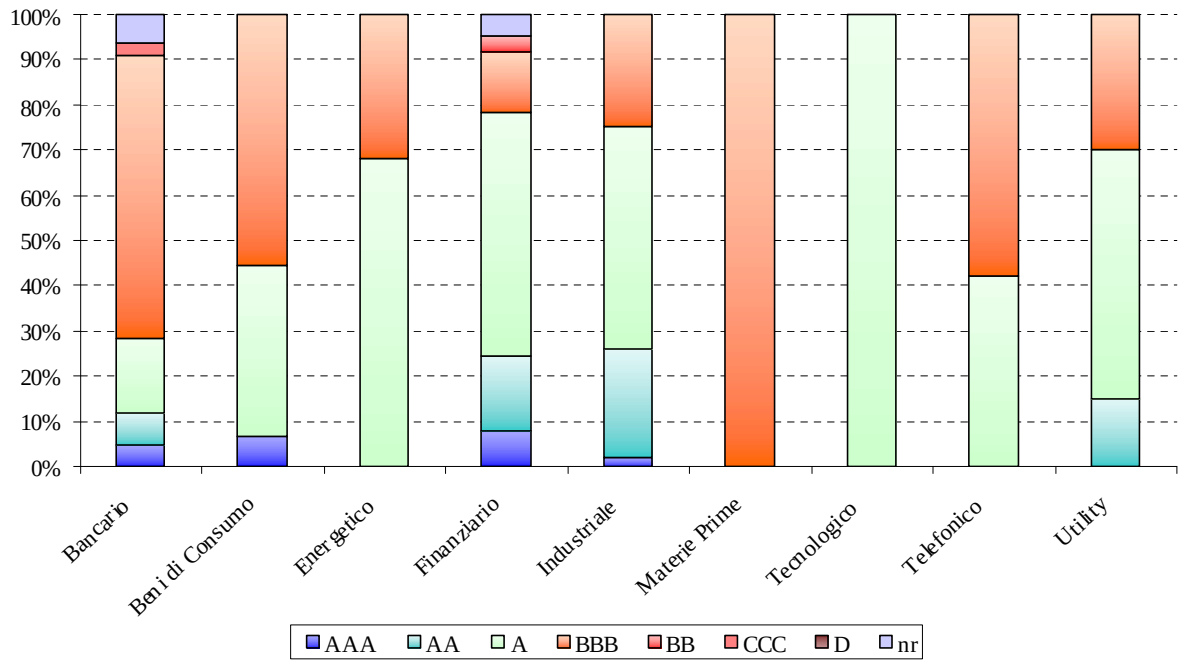
Corporate bond portfolio by Standard & Poor's rating



Composition of corporate bonds by segment



Corporate bond portfolio by sector and rating

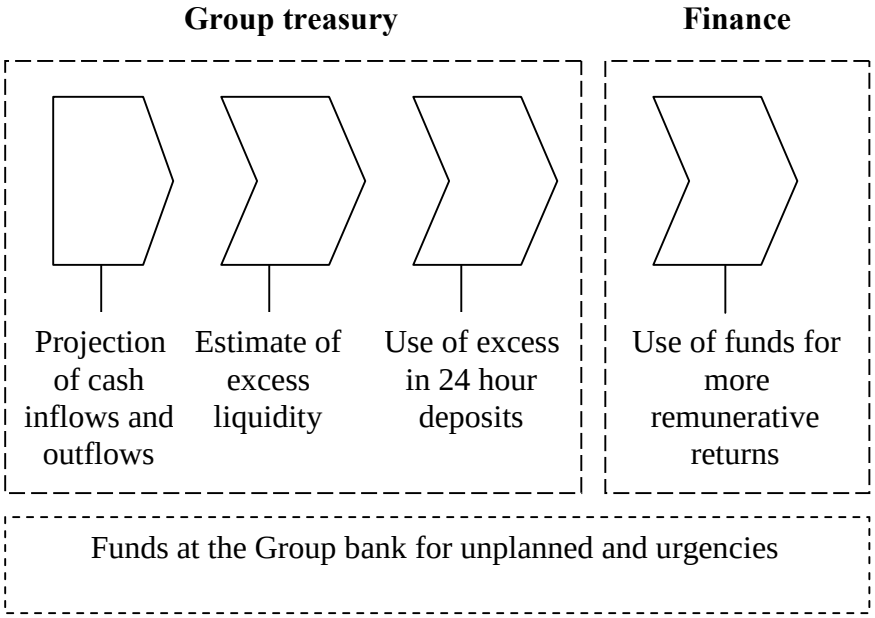


2.4 Liquidity Risk

The liquidity risk involves “the risk of non-compliance of obligations towards policyholders and other creditors due to difficulties in transforming the investments into liquidity without incurring losses".

The Group for the management of liquidity adopted an organisational system based on the centralisation of the financial cash flows through the Group Treasury. This system guarantees, in addition to a rational monitoring of all the incoming and outgoing cash flows (assisted by a daily *cash pooling*), also the optimisation of the returns on the liquidity realised through the centralised management of the excess liquidity compared to the programmed commitments. The Group Treasury activities seek to ensure a balance between the maintaining of monetary credit lines capable of covering any unforeseen obligations of the policyholders and of suppliers and the opportunity to apply the excess liquidity to more remunerative investment operations.

In particular these activities, principally undertaken over a ten day time period, are structured according to the following graphic:



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

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

In relation to the fund investments, on the basis of the Group Risk Policy, limits were fixed relating to the illiquid assets compared to the total assets under management (AUM).

3 Information on Operational Risks

3.1 The Framework of Operational Risk Management

The Fondiaria-Sai Group, following the drive based on strategic and regulatory requirements, set out and is currently implementing a framework – for the identification, measuring, monitoring and management of the Operating Risks, which relates to "the risk of losses deriving from the inefficiencies of persons, processes and systems, including those utilised for distance selling, or from external events, such as fraud or the outsourced supply of services (outsourcing risk)" (Regulation No. 20 of ISVAP Article 18 paragraph 2, letter f). Based on the framework of Operational Risk Management, the relationships and the reciprocal impacts between Operating Risks and the risks indicated in the Map are also considered, which include Risk Compliance and Reputational Risk, with the objective to evaluate the direct and indirect effects of events relating to Operating Risks. In particular, the analysis adopted is aimed at understanding, according to the casual logic the risk factors, events and effects (monetary and non monetary) as well as the impacts that these effects can have on the solvency of the Group and achieving the objectives set.

Within the corporate governance structure of the Group, the Operational Risk Management (ORM) activity is undertaken by the Operational Risk Management, IT and Privacy Unit within the Risk Management Department of the Parent Company Fondiaria-SAI. The objectives assigned to this unit, within the internal control system, have the objective to ensure the safeguarding of the Group assets, the adequate control of the risks and the improvement of the efficiency of the business processes.
In undertaking its activities, the Risk Management department on the basis of the Group organisational model, works with the Risk and Controls Manager (RRC), through personnel hierarchically independent of the Process owner, with skills in the relative areas of activity and background experience in the risk management area.
The Risk Management Department also interfaces with the other supervisory boards within a reciprocal consultative and information-sharing relationship, in the projects in which the different organisational departments participate. In particular, the principal persons/departments in which operating relationships are undertaken are:

- The Executive appointed pursuant to Law 262/2005
- The Compliance and corporate governance committee
- The Compliance Department
- The Audit Department

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

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

3.2 Activity carried out

During the year, the self assessment risk (SAR) activity continued of the business processes with the analysis of the "Life Area" operating risks, with particular reference to the issue, management and settlement processes. The analysis was undertaken through a qualitative-quantitative method based on questionnaires which resulted in the identification of the most significant risks in economic terms. The questionnaires were drawn up making reference to the risks identified following an analysis of the process carried out in collaboration with the Audit department, with the support of the respondents and based on the preceding verifications carried out. In line with the objectives of collaboration and coordination with the other functions of governance, results of the analysis were shared with the relative structures for the regulatory compliance aspects and those in accordance with law 262. In view of the issues arising, in collaboration with the process owner and the process manager, the relative action plans were prepared.

In line with the "Solvency II convergence project", the activities continued relating to the creation and development of the operating risk management system, in particular, the principal objectives reached were:

- the definition and approval by the Board of Directors of the operating risk policy;
- the formalisation of the operating risk assessment method;
- the creation and activation of the risk and control manager (RRC) network within the company.

Also in 2010, within the Solvency II project activity, work commenced relating to the Business Continuity and Crisis management project in which the following objectives were identified:

- definition of a "high level" Business Continuity Policy
- drawing up of a Group Business Continuity Plan (BCP)
  identification of the Business Continuity Management – BCM.

Analysis by maturity for the insurance and financial liabilities

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

The direct business non-life technical reserves comprise the premium reserve (Euro 1,191.3 million), the claims reserve (Euro 4,078.3 million) and the other technical reserves (Euro 3.3 million), represented by the age reserve of the health class.

The table which summarises the liabilities of the life segment includes insurance liabilities of Euro 3,883.8 million and financial liabilities of Euro 57.6 million. In particular, the insurance liabilities includes the actuarial reserves for Euro 3,646.8 million and technical reserves with investment risk borne by the policyholders of Euro 188.1 million and reserve for sums to be paid of Euro 48.9 million. The financial liabilities relate to the insurance policies which, not containing a significant insurance risk, represent financial contracts and are not within the application of IFRS No. 4.

The other financial liabilities are composed of the reinsurance deposits (Euro 144.8 million), the subordinated liabilities (Euro 151.8 million) and bank payables (Euro 69.7 million).

Non-Life division technical reserves

(amounts in Euro millions)

Up to 1 year	**2,688.8**
Between 1 and 5 years	1,880.9
From 6 to 10 years	521.3
Over 10 years	181.9
TOTAL	**5,272.9**

Life technical reserves and financial liabilities relating to investment contracts

(amounts in Euro millions)

Up to 1 year	**514.4**
Between 1 and 5 years	1,569.7
From 6 to 10 years	1,213.3
Over 10 years	644.0
TOTAL	**3,941.4**

Other financial liabilities

(amounts in Euro millions)

Up to 1 year	**201.5**
Between 1 and 5 years	13.0
From 6 to 10 years	101.1
Over 10 years	50.7
TOTAL	**366.3**

Derivative financial instruments

The Group makes a limited utilisation of derivative financial instruments. In fact the characteristics and the nature of the insurance activity require, as a consequence, that the utilisation of derivative financial instruments are regulated in accordance with Supervision Authority Provision No. 297/1996.
In particular, the above-stated ISVAP Provision provides that operations in derivative financial instruments with the purpose of managing so-called efficiency are contained at a tolerable level of the available solvency margin.

At December 31, 2010, the derivative financial operations open were:

- nominal contract of Euro 50,000 thousand of an Interest Rate Swap with the counterparty HVB expiring on July 14, 2016. Milano pays to the counterparty a fixed rate of 3.18% and receives the Euribor at 6 month rate. The charge recorded to the income statement amounted to Euro 1,058 thousand;

- Credit Default Swap contracts, in order to hedge the insolvency risk of the securities in portfolio. In particular:
  - Credit Default Swap on a nominal amount of Euro 9,350 thousand which expires on March 20, 2013 to hedge the issuer insolvency risk of Morgan Stanley.
  - Credit Default Swap on a nominal amount of Euro 4,411 thousand which expires on March 20, 2014 to hedge the issuer insolvency risk of Merrill Lynch.

- Range Accrual Swap contracts on a notional Euro 11,250 thousand. In particular:
  - Euro 5,000 thousand with BNP Paribas with maturity on April 1, 2020; under the contract the counterparty receives a fixed rate of 3% annually and pays 5.25% annually for the days in which the spread between the Swap rate at 30 years and the Swap rate at 10 years is positive.
  - Euro 2,500 thousand with Banca IMI with maturity on May 7, 2020; under the contract the counterparty receives a fixed rate of 3% annually and pays 6.5% annually for the days in which the spread between the Swap rate at 30 years and the Swap rate at 10 years is positive.
  - Euro 3,750 thousand with Banca IMI with maturity on October 28, 2020; under the contract the counterparty receives a fixed rate of 3% annually and pays 6.525%

annually for the days in which the spread between the Swap rate at 30 years and the Swap rate at 10 years is positive.

These operations were undertaken in accordance with the Board of Directors' resolution of March 22, 2005 in relation to the utilisation of the derivative financial and structured instruments utilising control and monitoring instruments, including preventive instruments, existing within the organisation which track the operations carried out in terms of the decided strategy, the efficiency of the hedging operations and the respecting of the limits assumed. For each hedging operation, the relative "Hedging Relationship Documentation" was prepared in accordance with the above-mentioned resolution and also in compliance with international accounting standards.

The principal derivative finance operations in the year relate to:

- combined options (purchase put-sell call) undertaken to hedge the non realised gains on Mediobanca shares in portfolio. In particular the closure of these options, through the financial settlement of the differential between the list price and the strike price (cash settlement) related to 602,700 Mediobanca shares which, based on the average strike price of Euro 9.1196 per share, recorded a profit of Euro 1,301 thousand;
- 13,575 call options acquired on the DJ Eurostoxx50 index, with an average strike price of 2,883.44. The closure of these options resulted in the recording of charges of Euro 737 thousand to the income statement.

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

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

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

NON-LIFE DIVISION

Introduction

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

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

Motor TPL

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

Land vehicles

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

Non Motor division

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

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

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

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

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

Bonds

With particular reference to the Bond Class, the analysis of the risks is made in advance and careful selection undertaken with a double examination:

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

Both the elements, objective and subjective, are carefully valued through the acquisition of specific financial documentation (financial statements, incorporation deeds, by-laws, Chamber of Commerce certificates, Shareholders etc.) sent by the agencies to the Technical Department of the Region or head office. This documentation is updated with appropriate commercial information through Specialised Companies and with further investigations relating to the history of the relationship with the Customer, made in the class databank, in order to verify the accumulative exposure to the parties.
The above activity has the purpose of quantifying a total “underwriting limit” with the party, within precise and contained limits to the individual Technical areas; above these limits, the cases are presented to the internal boards of the classes, represented by the “”Credit Committee”.
The issuance of the bond policies is then made by the agencies, through an IT procedure which undertakes a preventive control of the cumulative exposure, up to but not exceeding the limits of the underwriting agreed.

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

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

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

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

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

The Technological Risk class, thanks to the specific proportional programmes adopted, does not give rise to particular concerns, in that the risks are protected based on the year of subscription.
The potential risk concentration following the bankruptcy of a single policyholder in the Bonds class is protected thanks to a claims excess programme, which guarantees all the acceptances made during the past years of subscription. Finally, it is reported that the underwriting in the Injury class is protected with an ample catastrophe programme which operates together with the net retentions deriving from policies underwritten by the Life segment.

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

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

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

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

Co-insurance

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

Also during 2010, the maintenance of the Group policies, already realised in the previous years, confirmed the maintenance of the separation of the portfolio, with a prevalence of risks assumed in Exclusive Delegation. In fact no significant or substantial modifications were made with respect to the underwriting strategies of the previous years.

With reference to the Bond Class, also in 2010 the policy relating to the underwriting of risks On Behalf of Others is characterised by a greater selection of insurance companies offering coinsurance proposals, favouring those Companies that maintain underwriting policies similar to our Group.

Claims outlook

With reference to the second component of the insured risk of the Non-Life Sector, or rather the reserve risk, this relates to the uncertainty relating to the utilisation of the claims reserve.

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

- cumulative claims paid from the year of occurrence at December 31 of the year of observation.
- claims reserves at December 31 of the year of observation.
- estimate of the late claims of the year of occurrence at December 31 of the year of observation.

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

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

CLASSES 10 + 12

(in Euro thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Estimated costs											
At the end of the year	1,175,377	1,289,508	1,447,032	1,549,796	1,621,784	1,623,019	1,521,471	1,452,819	1,535,173	1,467,069	
After one year	1,196,019	1,288,621	1,398,951	1,474,824	1,532,765	1,559,808	1,439,156	1,474,518	1,559,360		
After two years	1,220,616	1,356,666	1,430,713	1,464,288	1,557,345	1,638,039	1,502,686	1,571,101			
After three years	1,230,506	1,357,216	1,464,307	1,462,954	1,604,369	1,646,542	1,562,869				
After four years	1,241,989	1,384,038	1,508,675	1,484,864	1,633,239	1,722,075					
After five years	1,280,037	1,399,918	1,524,958	1,502,147	1,678,901						
After six years	1,298,676	1,410,069	1,550,590	1,543,586							
After seven years	1,298,319	1,431,818	1,565,407								
After eight years	1,317,463	1,451,536									
After nine years	1,338,426										
Est. final costs	1,338,426	1,451,536	1,565,407	1,543,586	1,678,901	1,722,075	1,562,869	1,571,101	1,559,360	1,467,069	15,460,330
Payments	1,280,601	1,379,834	1,481,006	1,436,016	1,521,260	1,504,645	1,361,049	1,286,075	1,163,182	577,315	12,990,983
Amount to reserve	57,825	71,702	84,400	107,570	157,641	217,430	201,820	285,026	396,178	889,755	2,469,347

CLASS 13

(in Euro thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Estimated costs											
At the end of the year	109,334	115,210	134,153	141,534	142,355	165,859	161,772	181,595	188,069	212,892	
After one year	102,826	101,115	117,784	129,237	137,056	147,860	149,134	151,179	169,481		
After two years	106,460	109,664	123,413	144,142	147,262	161,954	157,512	173,611			
After three years	112,240	109,498	129,495	150,742	150,766	163,556	168,983				
After four years	114,678	113,654	133,758	154,939	148,230	172,069					
After five years	117,501	119,062	136,762	152,652	155,756						
After six years	117,031	118,553	137,366	158,586							
After seven years	113,011	119,196	142,189								
After eight years	113,160	122,568									
After nine years	116,977										
Est. final costs	116,977	122,568	142,189	158,586	155,756	172,069	168,983	173,611	169,481	212,892	1,593,111
Payments	90,529	91,064	101,153	108,469	94,481	105,599	92,121	84,135	66,937	100,939	935,427
Amount to reserve	26,448	31,504	41,036	50,117	61,274	66,470	76,861	89,477	102,544	111,953	657,684

NOTE:

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

The table below summarises the claims still open at December 31, 2010 and the relative percentage on the claims reported:

Generation	Claims Reported	Number of claims open	% on reported claims
2002	501,872	1,304	0.3
2003	483,741	1,418	0.3
2004	490,658	1,961	0.4
2005	503,968	3,347	0.7
2006	502,926	6,193	1.2
2007	487,627	7,315	1.5
2008	466,111	15,461	3.3
2009	470,596	32,379	6.9
2010	436,125	93,448	21.4

(includes the no CARD and CARD debtor claims; total number of other delegations and expressed as share of co-insurance)

Verification of the liabilities

The premium reserve for risks in course is made, in accordance with ISVAP Regulation No. 16 of March 4, 2008, to cover the risks on the company after the year-end, in order to meet all the costs for claims which could arise on contracts which gave rise to the formation of the reserve for the premium fraction.
The valuation for the creation of the reserve is made based on an empirical calculation procedure constructed on the ratio of claims to premium for the current generation recorded in the accounts and valued also taking into account values assumed from the ratio from previous years to evaluate the reasonableness of the assumption that this ratio can be of a repetitive nature in the following year.

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

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

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

LIFE DIVISION

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

The current products distributed provide for a personalisation of the cost to the insured party based on whether the policyholder declares to be a smoker or not.
The amount insured is underwritten on the basis of fixed and standard rules, the so-called "underwriting grid". This grid is structured on the basis of a different step-up of capital insured for which there are different types of events of a health nature in accordance with the "International Guidelines" in the medical field.
There is also the application of the extra premium in the case where the professional and sporting activities undertaken by the insured and/or the health conditions are considered to increase the risk.

In addition to a certain level of capital insured, the Group also obtains information of a financial nature in order to evaluate the economic situation of the Customer.
In any case, above a certain threshold of capital insured, a health enquiry is made on the basis of standard medical documentation.
It is also noted that for amounts above a certain threshold, the underwriting of the risk is subject to the presence of explicit acceptance by the reinsurer.

In addition, following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums preliminarily agreed with the reinsurer.

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

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

The amount insured is underwritten based on standard variable rules (insurance grid) based on the type of counterparty and the number of individuals in the group; in any case, above a certain threshold of capital/amount insured, a health evaluation is always made based on standard medical documentation.
For amounts above a certain threshold, also in this case, the underwriting of the risk is subject to the explicit acceptance by a reinsurer.
It is recalled finally that following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums, sometimes agreed in advance with the reinsurer.

Particular attention is reserved in relation to the underwriting of cumulative risks, normally regulated through the application of a limitation clause of the amount payable by the insurer on death following a catastrophic event.
The utilisation by the insurance company of specific tariff forms - determined not only on the general mortality/invalidity experience of the Italian population, but specifically calibrated on the claims trend of the portfolio of the company - means the recurring monitoring of the trend both within the portfolio acquired and of the individual policies considered sensitive in terms of exposure and overall capital.

The trend of the technical performance on the portfolio confirms that historically applied in terms of personalisation of the statistical base adopted compared to the general ISTAT.

Also for this class of risks, the longevity risk is marginal and typically related to annuity portfolios, due to the almost total absence of this type of contract in portfolio.
This risk is present in the portfolio of the company, in key projections against deferred annuity contracts on Pension Funds or on single Companies which have activated internally a specific complementary pension for employees.

In this area, the Group has implemented for some time a distribution policy concentrated on the creation of tariff forms which utilise the most updated base statistics and a careful evaluation of constant guaranteed financial returns monitored on the markets.
The overall evolution of the portfolio is substantially related to the policies dedicated to cover the death/invalidity risk and those with a legal basis - Employee Leaving Indemnity and complementary provisions - pension funds, thanks to the consultancy carried out by the sales network, with an increase related to the salaries.
The portfolio related to the management of the liquidity of the companies is realised through specific financial securitisation policies of the premiums paid by the counterparty under a minimum guaranteed return contract and annual consolidation of the services.

In relation to this, particular attention is dedicated to the concentration of the commitments on the individual counterparties in order to avoid negative impacts on the company accounts in the case of advanced redemption, which generally could occur in a negative economic context for the insurer.
This element is circumvented with an internal regulation which requires on the one hand, a presence of these contracts not greater than a determined percentage of the investments of the separated management whose contracts are related and on the other hand, the application of penalties for advanced redemption and appropriate notice periods for the exercise of the redemption.

Classification of the insurance risks in the Life sector

The portfolio of the Group can be classified in three uniform macro-groups for technical characteristics and the product offered:

- the risk products, whose offer consists of products protecting the individual or his family guaranteeing a certain economic level against unexpected events;
- the pure investment product to meet greater requests for solutions for treasury needs of small and medium size enterprises as alternative investment opportunities proposed by the financial market;
- the savings products for the medium-long term period, also with a view to pensions.

In relation to the traditional products, within the first category are included all the contracts which have an important risk component in the case of death, as for the temporary death case and for mixed insurance; in the second case, the contracts which have a strong financial component such as the securitisation and for the third, greater annuity contracts and deferred capital.
In addition to the traditional type contracts in portfolio there are also unit and index linked contracts related to the internal funds and related to the Oicr basket and equity or stock exchange indices.
A Life contract is classified as insurance if the insurance risk is significant, that is if an event insured can induce the insured to pay significant additional services; "additional services" are intended as the amounts paid in the case of the occurrence of events which exceed those that would be paid in which the event insured did not occur.
A contract of the Life Division is considered an insurance contract if:
- the services are above, conventionally and with a certain continuance, the level of 5% of the amount payable in the case in which the event does not occur;
- it is an annuity right;
- it contains an option of conversion in guaranteed annuity.

A non-insurance Life contract is an investment or financial contract.
The classification was made at tariff level; consequently there are in existence certain insurance products (for example covering death), certain financial products (for example securitisation) and in addition, residually, products for which, in order for their classification, it is necessary to make evaluations at individual contract level.

Verification of the liabilities

In order to evaluate the adequacy and the sufficiency of the reserves recorded in the accounts with the local GAAP criteria, Milano Assicurazioni adopted a model capable of making a LAT (Liability Adequacy Test), which generates annual projected cash flows. The model operates at single policy level and separately for the portfolio of the traditional policies and those of the index-linked policies.
The test was carried out only on the portfolio of the Parent Company, for all of its divisions, given that the life portfolio of the subsidiary companies is negligible.

Relating to traditional policies, the portfolio was divided into uniform groups according to the technical characteristics of the product (securitisation contracts, risk and savings and pension).

The following table provides a breakdown of the portfolio based on the above classification.

Milano Assicurazioni – Number of policies written at December 31, 2010*

Capital.	Risk	Savings & pen.	Total
17.002	99,581	102,033	218,616

* For the collective portfolio a record was considered for each person insured

The tariffs modelled for the purposes of the LAT calculation covered almost all of the portfolio of the traditional contracts within IFRS 4 at the time of evaluation. In particular, a reserve was calculated of Euro 3,189,857 thousand against a total Parent Company reserve of Euro 3,459,113 thousand (92.2%); the results obtained in the portfolio considered, in accordance with the methods described below, were proportionally extended to the entire portfolio.

For the index-linked contracts classified as insurance contracts (IFRS 4), given the different characteristics with the traditional products, it was not possible to utilise the same model. Therefore a simplified approach was utilised, comparing, directly by tariff, the current value of the future cash flows with the reserves recorded in the accounts.

From the viewpoint of the development of the calculations, for both the traditional product and the index-linked product, the model is based on the development of the future cash flows which will be generated from the contracts. For each policy the projected cash flows are annually generated which takes into account the demographic assumptions, mortality and expenses in accordance with the second order so as to value on an annual basis, the economic gains for the calculation of the needs, assuming that they are settled on maturity or at the end of the deferral of the capital paid. In order to calculate future premiums, in relation to the specificity of each tariff, only the policies which at the valuation date were paid were considered.

The recognition of services and premiums, where in accordance with a minimum guaranteed return and for the discounting of the cash flows, utilise a market risk free curve at the reference date.
For the contracts with specific assets, the discount rate was taken from the effective return of the assets to cover the reserves, taking into account the credit risk related to the individual securities comprised in the basket. The credit risk is valued based on the probability of default assigned by Standard & Poor.
In the estimate of the amounts paid following the redemption by clients of the contracts, in addition to the assumptions relating to the mortality and probability of redemption, the specific conditions of each tariff are considered.

The valuation of future commissions payable to the network based on the premiums collected, or where established, the assets managed, reference is made to the loading corresponding to the amounts collected and the current commercial agreements in force.
The discounting of the future cash flows described above permitted the determination of the commitments of the Company in accordance with the “best estimate” basis at the moment of the valuation. This amount is defined in the “LAT Reserve” table below.

With regard to the assumptions, reference was made where possible to the company experience and the Italian insurance market in addition to economic-financial scenarios at the valuation date.

In particular:
- Revaluation of services: according to the minimum guaranteed. The minimum guaranteed return represents the financial contractual commitment of the company, including the technical rate.
- Inflation: 2.16%. The parameter is utilised, within the valuation, as an increased rate of the expenses of the management of the contracts, and is considered, over the long-term period, sufficiently prudent.

- Discount rate: risk free curve at the valuation date, except where specified above, as detailed below:

Year	Zero gov.Italy
1	1.979%
2	2.936%
3	3.411%
4	3.700%
5	4.014%
6	4.228%
7	4.501%
8	4.703%
9	4.870%
10	5.025%
11	5.088%
12	5.152%
13	5.215%
14	5.279%
15	5.342%
16	5.418%
17	5.495%
18	5.571%
19	5.648%
20	5.724%
21	5.744%
22	5.763%
22	5.783%
23	5.802%
24	5.822%
25	5.842%
26	5.861%
27	5.881%
28	5.900%
29	5.920%
30	1.979%

- Mortality: mortality indices taken from the tables SIM/SIF 2002, reduced by 30%.
- Management expenses: the costs which will be incurred for the management of the existing portfolio were calculated based on the following table which considers the recent experience of the company:

Milano Assicurazioni	Annual management expenses by policy
Individual single premium	€ 26
Individual annual & recur. premium	€ 50
Collective (per person)	€ 26

- Lapses: in relation to the redemptions and, in general, the termination of contracts, elimination frequencies were adopted taken from direct experience of the Company based on duration periods and broken down by tariff category, shown in the table below.

Duration	Indiv. Annual & recur. premiums	Indiv. Single premiums	Collective	Index linked
0	2.92%	0.28%	1.51%	2.500%
1	7.98%	5.06%	6.61%	2.500%
2	9.08%	9.47%	9.23%	2.500%
3	5.34%	8.47%	5.97%	2.500%
4	4.34%	6.72%	4.63%	2.500%
5	5.52%	4.44%	5.46%	2.500%
6	6.20%	4.30%	6.15%	2.500%
7	5.16%	2.74%	5.10%	-
8	4.62%	2.79%	4.57%	-
9	4.10%	2.34%	4.05%	-
10	4.05%	1.97%	3.98%	-
11	4.03%	2.47%	3.99%	-
12	3.57%	1.71%	3.53%	-
13	3.05%	1.80%	3.02%	-
14	2.64%	1.55%	2.62%	-
15	2.43%	1.36%	2.41%	-
16	2.36%	1.06%	2.34%	-
17	2.32%	1.54%	2.31%	-
18	1.96%	1.34%	1.95%	-
19 or more	1.48%	1.65%	1.48%	-

Results - Traditional Portfolio

The application of the model for the valuation of the LAT (Liability Adequacy Test) provided, for the groupings described above, the results shown below comparing them with the reserves in the accounts and in particular the actuarial reserves, the future expenses reserves, the additional reserves for interest guarantee and decreased by the commissions to be amortised.

LAT Evaluation at 31/12/2010 (in thousands of Euro)

Milano Ass.ni	Capital.	Risk	Savings & pension	Total
LAT Res.	581,796	569,146	1,841,911	2,992,853
Tot. per Accounts	647,002	670,506	2,187,962	3,505,471
Balanced Res.	*642,274*	*660,741*	*2,156,097*	*3,459,113*
Additional Res.	*85*	*8,002*	*26,111*	*34,197*
Expenses Res.	*4,643*	*3,517*	*11,477*	*19,638*
DAC	-	*1,754*	*5,723*	*7,477*

LAT Evaluations - Index Linked Policies

For the valuation of Index Linked policies classified as “insurance” (IFRS 4), it is necessary to verify the adequacy of the reserves recorded in the accounts in relation to the risks underwritten and to the future expenses.

LAT Evaluation at 31/12/2010 (in thousands of Euro)

Milano Ass.ni	Index Linked
LAT Res.	183,423
Tot. per Accounts	184,250
Class D Res.	*182,348*
Additional Res.	-
Expenses Res.	*1,902*

Guarantee return reserve

With reference to the commitments underwritten with the policyholders, the breakdown of the Parent Company reserves shows approx. 55.3% (Euro 2,064.3 million) relate to policies with guaranteed returns between 1% and 3%, while approx. 36.6% (Euro 1,363.5 million) relate to policies with guaranteed return between 3% and 4%. The reserves relating to contracts with interest rate guarantee on maturity amounted to Euro 194.2 million. The reserves related to specific assets amount to Euro 107.1 million.

Insurance reserves of the life segment: guarantee return (*)

(in Euro millions)	**Milano Ass.ni**
Reserves with guaranteed annual interest rate	3,428.7
of which:	
from 0% to 1%	0.9
between 1% and 3%	2,064.3
between 3% and 4%	1,363.5
Reserves related to specific assets	107.1
Reserves with guaranteed interest rate on maturity	194.2
TOTAL	**3,730.0**

(*) including technical reserves for which the investment risk is supported by the policyholder.

PART G - Information on business combinations

Sale by Milano Assicurazioni of the holding in Bipiemme Vita

Having received the relevant authorisations, on June 17, 2010, Milano Assicurazioni transferred to Banco Popolare di Milano the entire holding in Bipiemme Vita S.p.A. comprising 51% of the share capital for a consideration of Euro 122.1 million, deducting – as agreed – the dividend paid in the intervening period by Milano Assicurazioni of Euro 8.67 million. The sale had a minor impact on the income statement: the charge of Euro 0.7 million was recorded, in accordance with IFRS 5, in the specific income statement account *Profits/Losses of discontinued operations.*

The agreement also provides for an earn-out linked to the achievement of thresholds in favour of Milano Assicurazioni in the case in which Banca Popolare di Milano sells the majority shareholding in BIPIEMME VITA S.p.A. to third parties in the 12 months following the sale, as well as the maintaining by BPM of the current financial management services provided to the Fondiaria-SAI Group.

Currently, the conditions required for the above-stated earn out are not in place and consequently there was no effect on the income statement.

PART H - Transactions with related parties

The principal transactions with related parties, as defined by International Accounting Standards No. 24 (Disclosures on operations with related parties) and article 2, letter h) of Consob Resolution 11971 of May 14, 1999 are shown below. The operations between the Parent Company and its subsidiaries, and related companies, were eliminated in the consolidated financial statements and are therefore not shown in these notes.

They principally relate to:
- transactions related to reinsurance activities, all at market prices;
- charges, income and consequent debtor/creditor balances related to the division between the companies of the Fondiaria-SAI Group of the cost of the general services at group level;
- credit and debit balances deriving from the involvement in the Fondiaria-SAI Group tax consolidation.

(in Euro thousands)

	Assets	Liabilities	Revenues	Costs
Parent Company	173,151	50,722	16,944	19,876
Associate/Group companies	522,772	134,418	218,827	269,648
Other related parties	156,593	6,871	11,085	11,488

The assets of the consolidated financial statements include:

- Euro 102.5 million of payments on account in previous years to the Company "Avvenimenti e Sviluppo Alberghiero S.r.l." in relation to the execution of the real estate contracts on the building areas at Via Fiorentini, Rome. We recall that this operation, undertaken in 2003, included the sale to "Avvenimenti e Sviluppo Alberghiero S.r.l." of a site and the purchase of the completed real estate complex under construction on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009. As the shareholders of Avvenimenti e Sviluppo Alberghiero s.r.l deems it to be a related party of the Company, in addition to the parent company Fondiaria-SAI, fairness and legal opinions from expert advisors were obtained for this operation. The fairness opinions confirmed the appropriateness of the sales price of the areas and the purchase price of the building under construction.

- Euro 52.1 million of payments on account (Euro 41 million concerning previous years and Euro 11.1 relating to the current year) to "IM.CO. S.p.A." in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola).

  In relation to this operation it is recalled that on December 22, 2005 Milano Assicurazioni sold to IM.CO. at a price of Euro 28.8 million including VAT, the above indicated land in Milan, located in the three streets Confalonieri, De Castillia and Sassetti, of an area of 8,891 sq.m., included in section A/2 of the Integrated Intervention Programme called "Isola de Castillia".

  Subsequently on November 15, 2006, following the attainment by the potential seller of the Building License, Milano Assicurazioni purchased from IM.CO. at the price of Euro 93.7 million, plus VAT, full property rights for that to be completed on the site in question, comprising a building for service sector use, consisting of a tower building with the development of twelve floors as well as a ground floor and a mezzanine level, with the ground floor containing a gallery with related commercial space, in addition to parking and storage in the 3 underground floors.

  The operation was, prior to its completion, examined and approved, in accordance with the corporate governance principles adopted by the insurance company, by the Board of Directors in the meetings of October 20, 2005 and November 10, 2005.

  In the execution of the works, whose completion was originally scheduled for April 30, 2008, the parties by common agreement and in order to ensure the highest quality of the building agreed to some changes which regard to the qualitative aspects of the complex. In order to carry out the changes, it was necessary to agree with the selling party an extension to the deadline – approved by the Board in the meeting of February 18, 2009 - which takes account also of the suspension of work order issued by the Municipality of Milan following the judgment of the Lombardy Regional Administrative Court No. 5438 of July 26, 2007, in a parallel judgment to that against Milano Assicurazioni for a breach of the Urban Convention signed by the same Milano Assicurazioni. The judgement was deemed invalid by subsequent decisions of the Council of State.

  On January 29, 2009, in execution of the sequestration decree filed by the Preliminary Hearing Judge, the deeds to the building under construction were turned over with consequent suspension of works and review of the completion date which, in accordance with the agreements between the parties, would be renegotiated upon the occurrence of such an event.

  On October 30, 2009, in line with the execution order of the Public Prosecutor, following the ruling of the Re-examination Court, which judged the conclusions of the Preliminary Hearing Judge invalid and validated the procedure adopted by the Municipality, the Police de-sequestered the site and subsequently, on October 6, 2010 the Court of Milan absolved the persons involved in the case.

In recent months the parties agreed on a review of the project. The initiative is in fact located in the area next to that relating to the “Porta Nuova Isola” Project which, together with the “Porta Nuova Garibaldi” and “Porta Nuova Varesine” projects, comprises part of an extensive urban redevelopment of the area with the building of new service, residential, commercial and hotel buildings and the creation of an urban park with cultural and exposition spaces. The area has therefore seen in 2009 development as well as an extensive evolution of the market, significantly benefitting from a central location with a high degree of accessibility, a mix of uses and the availability on the market of new surface area, in addition to the future developments within the city of Milan.
It is therefore necessary to amend the architectural characteristics of the building, taking account of the usage, in order to allow maximum flexibility of the internal spaces and therefore to create a building which can facilitate a wide range of possible tenants, in line with market developments.
The amendments to the project do not modify the overall surface area, but increase the space earmarked for office use and redistribute the other uses, without which the building would have had to have been demolished.
The parties agreed that the above-stated amendments of an architectural and functional nature would result in charges of Euro 5.4 million, an amount which includes also the charges and write-offs between the parties in the period before the halting of building as well as the consequent delayed completion of the building as a result of the new project, with the scheduled completion date postponed to December 31, 2012. Therefore the sales price applicable at the moment of transfer of ownership of the complex, based on the new project, was reviewed and agreed at Euro 99.1 million, plus taxes.
As IM.CO. is considered a related party of the Company, the operation is considered by Milano Assicurazioni in accordance with the recently adopted regulations issued by CONSOB and subject therefore to specific procedures.
The operation therefore required an independent expert to prepare a fairness opinion to verify that the sales value of the asset at December 31, 2012 is in line with the market value, and in particular, to verify the price difference of Euro 5.4 million. The independent expert appointed for the preparation of the opinion outlined above (Scenari Immobiliari) declared that the most probable market value of the building at December 31, 2012 was Euro 99.1 million, confirming therefore the higher overall price.
In order to formalise the terms and conditions concerning the execution of the amendments and integrations to the project, and subject to the granting of the necessary authorisations, it was also necessary that Milano and IM.CO. signed a notarised partial amendment deed of the sales contract of 2006 in order to adjust the terms and conditions contained in the above-stated agreement, both concerning the amendments to be made to the project and for the determination of the sales price of the property complex, in addition to the payment and delivery deadlines. Where the new permissions are not granted within pre-established deadlines, the parties agreed to sign in good faith a notarised supplementary deed of the contract signed in 2006, regarding the original deeds, the terms and conditions of delivery of the property complex, including the new completion date, as well as the payment of the balance, based on the new state of advancement of works which was agreed in good faith between the parties, with the price

of the original project remaining unchanged, as well as the other rights and obligations of the parties which governed the above stated contract of 2006.
In order to establish the details of the contract, the parties struck an agreement to sign a private contract to govern the above-stated eventualities and consequently established the terms and conditions upon which a partial amendment deed will be signed or, as an alternative, a separate supplementary deed of the original deed of 2006.
Also in relation to the operation, a legal opinion was requested from the Raynaud & Partners Law Firm to establish the adequacy of the legal opinion from a civil law point of view of the Private Contract, in order to establish that the conditions were in line with those that would have been agreed between non related parties. The Raynaud & Partners Law Firm issued a positive legal opinion concerning the above-stated deed.

The financial cash flows in 2010 in relation to these operations amounted to Euro 7.4 million.

Remuneration of directors and general managers

The remuneration of Directors and general managers is shown in the following table:

(in Euro thousands)	**31/12/2010**	**31/12/2009**
Remuneration	2,035	1,832
Bonus and other incentives	-	-
Non-monetary benefits	1	2
TOTAL	**2,036**	**1,834**

The remuneration recognised to directors and general managers is fixed based on the average market remuneration level, while the bonuses and the other incentives are normally determined ex-post in relation to the results achieved and/or in relation to particular operations.

PART I – Subsequent events after the year end

In January, the Board of Directors approved the 2011 budget based on the following guidelines of the company and of the Fondiaria-SAI Group, established in December 2010:

- Recovery of solvency, also through the disposal of non-strategic assets;
- Non-Life Division: higher profitability both in the motor classes and in the other classes;
- Life Division:
  - re-balancing of the portfolio in favour of higher margin products;
  - launch of new low interest rate risk products;
  - increasing the value of bancassurance agreements in place;
- Finance sector:
  - maintenance of a low risk level;
  - recovery of profitability through the rebalance of the strategic asset allocation;
  - reduction of volatility relating to the Solvency Ratio;
- Real Estate sector:
  - continuation of the property initiatives in progress;
  - divestment of the investment in CityLife, without beginning any new projects;
  - sale of assets with unrealised gains, to rebalance exposure to the property sector;
- Diversified Sector:
  - prudent management to maximise profitability;
  - sale of non-core assets.

The 2011 Budget, in addition to the guidelines reported above, places particular attention on the control of overhead costs, taking account on the one hand of the altered conditions to those considered for the 2009-2011 industrial plan of the Fondiaria-SAI Group, and on the other, the recent initiatives taken to improve industrial profitability, however within a still volatile economic environment.
In particular, the expected effects include a significant improvement in the Combined Ratio of the Non-Life Division, a satisfying result for the Life Segment and consequently a return to net profit.

PART L - Other Information

Tax Audits

On December 29, 2010 Milano Assicurazioni was notified of the following assessments:
- first and second level assessments in relation to IRES income taxes for 2005 and notice of the relative penalties;
- an assessment in relation to IRAP regional taxes and withholding taxes for 2005 notice of penalties for non-payment of withholding taxes;
- an assessment concerning VAT penalties for 2005 in relation to coinsurance.

These notices refer essentially to operations carried out by the Company in the 2005 tax year concerning shares in the dividend coupon periods and a debt security on which foreign tax credits arise. The description of these operations was contained in the contestation notice of July 31, 2008 by the Large Contributions Office of the Central Office of the Inland Revenue Agency, following a general audit for the tax period ending December 31, 2004, initiated in November 2007 without formulating specific contestations.
An appeal was made in relation to the VAT assessment while for the direct tax assessments a request was made to apply for a tax settlement.

In 2010, a tax audit was initiated by the Large Contributions Office of the Central Inland Revenue Declaration Agency in order to control the operations which generated income which in turn generated foreign tax credits and dividends for the tax periods 2006, 2007 and 2008. Currently the necessary documents are not available to estimate the potential risk relating to these periods.

The expected charges were provisioned in a relative fund.

In relation to the assessments notified on December 28, 2009 in relation to IRES and IRAP for 2003, VAT for 2004 and substitute taxes for 2003 and 2004, in relation to which an appeal was filed, the company is awaiting a hearing before the provincial Tax Commission of Milan. Following delays in the application of the company, the Authorities have cancelled the IRAP assessment in application of the principle of self-protection.

Employees

At December 31, 2010, the number of employees of the Parent Company and of the consolidated companies amounted to 1,963 (a decrease of 63 on December 31, 2009). The table below illustrates the breakdown and the comparison with the previous year.

	31/12/2010	31/12/2009
Executives	24	25
Managers & white collar	1,932	1,997
Building caretakers	7	4
Milano Group Employees	**1,963**	**2,026**

Exchange Rates

The exchange rates of the principal currencies utilised for the conversion of the balance sheet accounts are as follows:

	2010	2009
US Dollar	1.3362	1.4406
UK Sterling	0.86075	0.8881
Swiss Franc	1.2504	1.4836

Adjusted solvency

The verification of the adjusted solvency at December 31, 2010, pursuant to article 217 of Legislative Decree 209/2005 and made based on the provisions of Isvap regulation No. 18 of March 12, 2008, reports the following situation:

	2010	2009
Amount of the solvency margin requested	766,293	860,326
Total elements to be covered	1,190,000	1,624,855
Excess	**423,707**	**764,529**
Coverage percentage	***155.3%***	***188.9%***

The reduction of the required margin compared to the previous year is essentially due to deconsolidation of BPM Vita following the sale of the investment in June 2010. The reduction of the constituting items is principally due to the loss in the current year.
In relation to the calculation, the faculty established by Isvap Regulation No.37 of March 15, 2011 in relation to the verification of the adjusted solvency margin was utilised. Therefore, for the adjusted solvency, the securities issued or guaranteed by European Union states, allocated as non-current were valued based on the carrying amount in the separate financial statements, with a positive impact on the constituting items of Euro 36,250 thousand, corresponding to an improvement in the solvency ratio of 4.7 percentage points.

* * *

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

Milan, March 22, 2011

MILANO ASSICURAZIONI S.p.A.
For the Board of Directors

Attachments

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

Details of tangible and intangible fixed assets

	At cost	At revalued amount or fair value	Total book value
Investment property	1,000,349		1,000,349
Others buildings	58,141		58,141
Other tangible assets	5,970		5,970
Other intangible assets	18,960		18,960

Breakdown of the technical reserves - reinsurance amount

	Direct work		Indirect work		Total book value	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Non-Life reserves	***329,599***	***358,039***	***2,142***	***2,216***	***331,741***	***360,255***
Unearned premium reserve	55,969	52,931		69	55,969	53,000
Claims reserve	273,630	305,108	2,142	2,147	275,772	307,255
Other reserves					0	0
Life reserves	***101,514***	***117,891***	***1,397***	***1,177***	***102,911***	***119,068***
Reserve for claims to be paid	4,409	2,044			4,409	2,044
Actuarial reserves	97,105	115,846	1,397	1,177	98,502	117,023
Technical reserves where investment risk is borne by policyholders and from pension fund management					0	0
Other reserves		1			0	1
Technical reserves – reinsurance amount	***431,113***	***475,930***	***3,539***	***3,393***	***434,652***	***479,323***

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

Breakdown of financial assets

	Investments held to maturity		Loans and receivables		Financial assets available-for-sale	
	31/12/2010	**31/12/2009**	**31/12/2010**	**31/12/2009**	**31/12/2010**	**31/12/2009**
Equity securities and derivatives valued at cost						
Equity securities at fair value					593,314	633,134
of which listed securities					*544,809*	*619,908*
Debt securities	121,798	114,924	553,037	339,207	5,606,764	5,904,235
of which listed securities	*120,468*	*113,638*	*509,021*	*292,241*	*5,567,954*	*5,888,944*
Fund units					627,433	669,217
Loans and receivables from banks						
Loans and interbank receivables						
Deposits with reinsurers			2,614	2,358		
Financial asset components of insurance contracts						
Other loans and receivables			104,853	169,023		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments						7
Total	**121,798**	**114,924**	**660,504**	**510,588**	**6,827,511**	**7,206,593**

Financial assets at fair value through profit or loss account				Total Book value	
Financial assets held for trading		Financial assets designated at fair value through profit or loss account			
31/12/2010	**31/12/2009**	**31/12/2010**	**31/12/2009**	**31/12/2010**	**31/12/2009**
				0	0
	633	650	2	593,964	633,769
	633	*650*	*2*	*545,459*	*620,543*
23,411	34,850	214,262	247,577	6,519,272	6,640,793
561	*1,263*	*204,322*	*229,071*	*6,402,326*	*6,525,157*
		48,159	57,715	675,592	726,932
				0	0
				0	0
				2,614	2,358
				0	0
				104,853	169,023
		312	160	312	160
			484	0	484
		1,796	2,495	1,796	2,502
23,411	**35,483**	**265,179**	**308,433**	**7,898,403**	**8,176,021**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

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

	Policies related to the performance of investments funds and market indices		Policies related to the management of pension funds		Total	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Assets in accounts	231,769	279,940	13,906	9,157	245,675	289,097
Inter-group assets*					0	0
Total Assets	**231,769**	**279,940**	**13,906**	**9,157**	**245,675**	**289,097**
Financial liabilities in accounts	43,694	55,527	13,906	9,157	57,600	64,684
Technical reserves in accounts	188,075	224,411			188,075	224,411
Inter-group liabilities*					0	0
Total Liabilities	**231,769**	**279,938**	**13,906**	**9,157**	**245,675**	**289,095**

* Assets and liabilities eliminated in consolidation

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

Breakdown of technical reserves

	Direct work	
	31/12/2010	**31/12/2009**
Non-Life reserves	***5,272,924***	***5,094,571***
Unearned premium reserve	1,191,304	1,173,054
Claims reserve	4,078,333	3,917,955
Other reserves	3,287	3,562
of which reserves set aside following the liability adequacy test		
Life reserves	***3,850,900***	***3,897,727***
Reserve for claims to be paid	48,869	39,145
Actuarial reserves	3,646,803	3,597,450
Technical reserves where investment risk is borne by policyholders and from pension fund management	188,076	224,411
Other reserves	-32,848	36,721
of which reserves set aside following the liability adequacy test		
of which deferred liabilities to policyholders	*-54,338*	*13,342*
Total Technical Reserves	***9,123,824***	***8,992,298***

Indirect work		Total book value	
31/12/2010	**31/12/2009**	**31/12/2010**	**31/12/2009**
18,619	***20,038***	***5,291,543***	***5,114,609***
758	1,060	1,192,062	1,174,114
17,861	18,978	4,096,194	3,936,933
		3,287	3,562
		0	*0*
1,893	***1,601***	***3,852,793***	***3,899,328***
17	18	48,886	39,163
1,876	1,583	3,648,679	3,599,033
		188,076	224,411
		-32,848	36,721
		0	*0*
		-54,338	*13,342*
20,512	***21,639***	***9,144,336***	***9,013,937***

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

Breakdown of financial liabilities

	Financial liabilities at fair value through profit or loss account			
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Equity financial instruments				
Sub-ordinated liabilities				
Liabilities from financial contracts issued by insurance companies deriving			57,600	64,684
From contracts for which the investment risk is borne by policyholders			*43,694*	*55,527*
From the management of pension funds			*13,906*	*9,157*
From other contracts				
Deposits received from reinsurers				
Financial liability components of insurance contracts				
Debt securities issued				
Payables to bank clients				
Interbank payables				
Other loans obtained				
Non-hedging derivatives	820	1,414		
Hedging derivatives	1,506	795		
Other financial liabilities			1,717	1,322
Total	**2,326**	**2,209**	**59,317**	**66,006**

Other financial liabilities		Total Book value	
31/12/2010	**31/12/2009**	**31/12/2010**	**31/12/2009**
151,807	151,776	151,807	151,776
		57,600	64,684
		43,694	*55,527*
		13,906	*9,157*
144,843	163,707	144,843	163,707
		820	1,414
		1,506	795
69,653	82,449	71,370	83,771
366,303	**397,932**	**427,946**	**466,147**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

Breakdown of insurance technical reserves

		Financial Year 2010		
		Gross amount	**reinsurers' share**	**Net amount**
Non-Life business				
	NET PREMIUMS	3,086,159	-135,875	2,950,284
a	Premiums written	3,103,989	-139,549	2,964,440
b	Change in unearned premium reserve	-17,830	3,674	-14,156
	NET CHARGES RELATING TO CLAIMS	-2,747,079	53,456	-2,693,623
a	Amount paid	-2,644,335	74,605	-2,569,730
b	Change in claims reserve	-158,758	-21,149	-179,907
c	Change in recoveries	55,869		55,869
d	Change in other technical reserves	145		145
Life Division				
	NET PREMIUMS	527,782	-13,213	514,569
	NET CHARGES RELATING TO CLAIMS	-595,428	10,670	-584,758
a	Sums paid	-589,478	27,080	-562,398
b	Change in reserve for sums to be paid	-9,721	2,365	-7,356
c	Change in actuarial reserve	-45,028	-18,775	-63,803
d	Change technical reserves where investment risk borne by policyholders and from pension fund management	39,360		39,360
e	Change in other technical reserves	9,439		9,439

Financial Year 2009		
Gross amount	reinsurers' share	Net amount
3,128,367	-179,576	2,948,791
3,136,126	-184,092	2,952,034
-7,759	4,516	-3,243
-2,613,177	100,826	-2,512,351
-2,514,177	81,418	-2,432,759
-159,458	19,408	-140,050
60,303		60,303
155		155
495,528	-14,167	481,361
-587,821	13,181	-574,640
-606,631	28,105	-578,526
-765	-7	-772
51	-14,917	-14,866
4,775		4,775
14,749		14,749

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

Financial and investment income and charges

		Interest	Other Income	Other Charges	Profits realised
Result from investments		**222,100**	**72,959**	**-65,147**	**166,455**
a	Deriving from property investments		33,230	-19,579	61,083
b	Deriving from investments in subsidiaries, associates and joint ventures		1,727	-41,355	
c	Deriving from investments held-to-maturity	6,765			
d	Deriving from loans and receivables	23,288			29
e	Deriving from available-for-sale financial assets	179,815	36,833	-2,082	102,709
f	Deriving from financial assets held for trading	2,391		-88	1,096
g	Deriving from financial assets designated at fair value through profit or loss	9,841	1,169	-2,043	1,538
Result of other receivables		**2,161**		**-1,355**	
Result of cash and cash equivalents		**1,177**		**-31**	
Result of financial liabilities		**-13,049**	**0**	**0**	**0**
a	Deriving from financial liabilities held for trading				
b	Deriving from financial liabilities designated at fair value through profit or loss				
c	Deriving from other financial liabilities	-13,049			
Result of payables		**-677**			
Total		**211,712**	**72,959**	**-66,533**	**166,455**

Losses realised	Total income and charges realised	Valuation gains		Valuation losses		Total income and charges not realised	Total income/charge YEAR 2010	Total income/charge YEAR 2009
		Valuation gains	Write-back of value	Valuation losses	Impairment			
-57,617	338,750	5,410	261	-47,176	-390,732	-432,237	-93,487	270,707
	74,734			-27,516	-10,745	-38,261	36,473	7,192
	-39,628					0	-39,628	-48,063
	6,765					0	6,765	6,497
-141	23,176					0	23,176	24,508
-56,590	260,685		261		-379,987	-379,726	-119,041	215,025
	3,399			-16,199		-16,199	-12,800	14,774
-886	9,619	5,410		-3,461		1,949	11,568	50,774
	806					0	806	3,953
	1,146					0	1,146	2,907
0	-13,049	595	0	0	0	595	-12,454	-13,447
	0	595				595	595	807
	0					0	0	0
	-13,049					0	-13,049	-14,254
	-677					0	-677	-995
-57,617	326,976	6,005	261	-47,176	-390,732	-431,642	-104,666	263,125

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

Breakdown of insurance management expenses

		Non-Life Division		Life Division	
		YEAR 2010	YEAR 2009	YEAR 2010	YEAR 2009
Gross commissions and other acquisition expenses		-569,084	-580,632	-19,900	-23,242
a	Acquisition commissions	-429,303	-438,979	-7,040	-8,615
b	Other acquisition expenses	-93,667	-90,365	-8,349	-8,733
c	Change in deferred acquisition costs	-19,993	-25,232	-391	-871
d	Collection commissions	-26,121	-26,056	-4,120	-5,023
Commissions and profit participation received from reinsurers		44,258	40,048	3,444	2,765
Investment management charges		-2,271	-3,154	-1,836	-2,235
Other administration expenses		-112,170	-102,004	-11,275	-10,433
Total		**-639,267**	**-645,742**	**-29,567**	**-33,145**

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

In Euro thousands

Details of financial assets and liabilities by level

		Level 1		Level 2		Level 3		Total	
		2010	2009	2010	2009	2010	2009	2010	2009
Financial assets available-for-sale		5,112,763	6,458,425	666,243	734,942	25,520		6,804,526	7,193,367
Financial assets at fair value through the profit or loss account	Financial assets held for trading	561	1,896	22,850	33,587			23,411	35,483
	Financial assets designated at fair value through profit or loss account	17,169	5,472	248,010	302,961			265,179	308,433
Total		6,130,493	6,465,793	937,103	1,071,490	25,520	-	7,093,116	7,537,283
Financial liabilities at fair value through profit or loss account	Financial liabilities held for trading			2,326	2,209			2,326	2,209
	Financial liabilities designated at fair value through profit or loss			59,317	66,006			59,317	66,006
Total		-	-	61,643	68,215	-	-	61,643	68,215

FONDIARIA-SAI S.p.A.

CONDENSED CONSOLIDATED BALANCE SHEET

(Euro thousands) ASSETS	31/12/2009 consolidated
Intangible assets	1,896,618
Property, plant and equipment	930,898
Investments	34,215,873
Other receivables	2,422,885
Other asset accounts	5,496,094
TOTAL ASSETS	44,962,368

(Euro thousands) LIABILITIES	31/12/2009 consolidated
Net Equity	3,710,651
Provisions	298,631
Technical reserves	30,847,750
Financial liabilities	4,750,460
Payables	850,121
Other liabilities	4,504,755
TOTAL LIABILITIES	44,962,368

CONDENSED CONSOLIDATED INCOME STATEMENT

(Euro thousands)	2009 consolidated
Net premiums	11,888,742
Commission income	70,686
Income	2,051,293
Other revenues	682,277
TOTAL REVENUES AND INCOME	14,692,998
Net charges relating to claims	-11,872,025
Commission expenses	-38,261
Charges	-581,924
Management expenses	-1,910,631
Other costs	-815,292
TOTAL COSTS AND CHARGES	-15,218,133
LOSS BEFORE TAXES	-525,135
Income taxes for the year	132,940
NET LOSS	-392,195

Declaration of the consolidated financial statements

in accordance with article 81 ter of the Consob Resolution No. 11971 of May 14, 1999 and successive modifications and integrations

1. The undersigned Emanuele Erbetta (as Chief Executive Officer of Milano Assicurazioni) and Pier Giorgio Bedogni (as Executive responsible for the preparation of the corporate accounting documents of Milano Assicurazioni) affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:
   - the accuracy of the information on company operations and
   - the application of the administrative and accounting procedures for the compilation of the consolidated financial statements for the period January 1, 2010 - December 31, 2010.

2. The valuation of the adequacy of the accounting and administrative procedures for the preparation of the consolidated financial statements at December 31, 2010 is based on a Model defined by Milano Assicurazioni in accordance with the "Internal Control – Integrated Framework" and "Cobit" which represent benchmarks for internal control systems generally accepted at international level.

3. It is also declared that:

3.1. the consolidated financial statements at December 31, 2010:
   a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
   b) corresponds to the underlying accounting documents and records;
   c) provide a true and correct representation of the economic, balance sheet and financial situation of the issuer and of the companies included in the consolidation.

3.2. The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan 22, 2011

Emanuele Erbetta
(Chief Executive Officer)

Pier Giorgio Bedogni
The Executive in charge of the preparation
of the corporate accounting documents

Consolidated Auditors' Report

Deloitte.

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RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DEGLI ARTT. 14 E 16 DEL D.LGS. 27.1.2010, N. 39 E DELL'ART. 102 DEL D.LGS. 7.9.2005, N. 209

Agli Azionisti di
MILANO ASSICURAZIONI S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio consolidato, costituito dallo stato patrimoniale, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni di patrimonio netto, dal rendiconto finanziario e dalle relative note esplicative, di Milano Assicurazioni S.p.A. e sue controllate ("Gruppo Milano Assicurazioni") chiuso al 31 dicembre 2010. La responsabilità della redazione del bilancio consolidato in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché al Regolamento emanato in attuazione dell'art. 90 del D. Lgs. n. 209/2005, compete agli Amministratori di Milano Assicurazioni S.p.A.. E' nostra la responsabilità del giudizio professionale espresso sul bilancio consolidato e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio consolidato sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

   Per il giudizio relativo al bilancio consolidato dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 6 aprile 2010.

3. A nostro giudizio, il bilancio consolidato di Milano Assicurazioni S.p.A. al 31 dicembre 2010 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché al Regolamento emanato in attuazione dell'art. 90 del D. Lgs. n. 209/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa del Gruppo Milano Assicurazioni per l'esercizio chiuso a tale data.

4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori di Milano Assicurazioni S.p.A.. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e della specifica sezione sul governo societario e gli assetti proprietari, limitatamente alle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98, con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98 presentate nella specifica sezione della medesima relazione sono coerenti con il bilancio consolidato del Gruppo Milano Assicurazioni al 31 dicembre 2010.

DELOITTE & TOUCHE S.p.A.

Enrico Ciai
Socio

Milano, 5 aprile 2011

Structure of the Group

RAPPRESENTAZIONE GRAFICA DEL GRUPPO AL 31/12/2010