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# 2010 REPORTS AND FINANCIAL STATEMENTS

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

FONDIARIA-SAI S.P.A. - REGISTERED OFFICE AND TURIN HEADQUARTERS - CORSO G. GALILEI, 12 - FLORENCE HEADQUARTERS - VIA LORENZO IL MAGNIFICO, 1 - SHARE CAPITAL EURO **167,043,712** FULLY PAID-IN – TAX, VAT AND TURIN COMPANY REGISTRATION NO. 00818570012 - COMPANY AUTHORISED TO UNDERTAKE INSURANCE ACTIVITIES PURSUANT TO ARTICLE 65 R.D.L. NO. 966 OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL 17, 1925



## 5 YEAR OVERVIEW - PARENT COMPANY

Euro thousands

	2006	%	2007	%	2008	%	2009	%	2010	%
<b>TOTAL PREMIUMS</b>										
MOTOR TPL	2,278,106	43.29	2,180,755	42.99	2,087,376	42.29	2,016,246	41.89	2,104,414	41.57
Non-Life Division	1,618,246	30.75	1,673,393	32.99	1,711,356	34.67	1,730,271	35.95	1,722,817	34.03
Life Division	1,365,612	25.95	1,218,049	24.01	1,137,058	23.04	1,066,958	22.16	1,235,530	24.40
<b>TOTAL</b>	<b>5,261,964</b>	<b>100.00</b>	<b>5,072,197</b>	<b>100.00</b>	<b>4,935,790</b>	<b>100.00</b>	<b>4,813,475</b>	<b>100.00</b>	<b>5,062,761</b>	<b>100.00</b>
<b>CLAIMS PAID</b>										
and related charges	3,905,853		4,269,219		4,822,191		4,103,656		4,220,996	
<b>GROSS TECHNICAL RESERVES</b>										
UNEARNED PREMIUM RESERVE	1,346,849		1,388,467		1,413,408		1,449,319		1,515,070	
CLAIMS RESERVE	4,965,603		4,801,785		4,546,010		4,699,692		4,729,816	
OTHER TECHNICAL RESERVE	19,789		25,144		25,898		27,899		29,824	
LIFE TECHNICAL RESERVE	8,427,512		8,373,535		7,844,746		8,063,754		8,466,081	
<b>TOTAL</b>	<b>14,759,753</b>		<b>14,588,931</b>		<b>13,830,062</b>		<b>14,240,664</b>		<b>14,740,791</b>	
<b>TECHNICAL RESERVES/PREMIUMS</b>	<b>280.50%</b>		<b>287.63%</b>		<b>280.20%</b>		<b>295.85%</b>		<b>291.16%</b>	
<b>SHAREHOLDERS' EQUITY</b>										
SHARE CAPITAL AND RESERVES	2,547,373		2,468,001		2,530,953		2,486,065		2,458,889	
NET PROFIT/LOSS	272,074		323,071		69,591		40,216		-636,408	
<b>TOTAL</b>	<b>2,819,447</b>		<b>2,791,072</b>		<b>2,600,544</b>		<b>2,526,282</b>		<b>1,822,481</b>	
<b>INVESTMENTS</b>										
		%		%		%		%		%
PROPERTY	1,053,230	6.32	1,073,169	6.36	1,055,869	6.49	1,163,758	7.08	1,157,612	7.20
SECURITIES AND DEPOSITS	14,627,153	87.74	14,892,268	88.26	14,280,915	87.81	14,316,621	87.12	14,087,251	87.67
LOANS	70,206	0.42	70,091	0.42	75,398	0.46	39,386	0.24	36,298	0.23
DEPOSITS AT REINSURERS	67,970	0.41	65,592	0.39	64,655	0.40	61,689	0.38	56,826	0.35
DEPOSITS AT CREDIT INSTITUTIONS	156,297	0.94	160,501	0.95	282,059	1.73	333,994	2.03	296,325	1.84
CLASS D INVESTMENTS	696,482	4.18	610,923	3.62	504,601	3.10	517,322	3.15	434,766	2.71
<b>TOTAL</b>	<b>16,671,338</b>	<b>100.00</b>	<b>16,872,544</b>	<b>100.00</b>	<b>16,263,497</b>	<b>100.00</b>	<b>16,432,770</b>	<b>100.00</b>	<b>16,069,078</b>	<b>100.00</b>
<b>AVERAGE NO. OF EMPLOYEES</b>	<b>2,649</b>		<b>2,624</b>		<b>2,668</b>		<b>2,659</b>		<b>2,594</b>	

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## MAIN EVENTS IN 2010

- **17/03/2010:** Fondiaria-SAI S.p.A. sold to third parties, 450,000 ordinary shares, representing 90% of the share capital, of SAI Asset Management SGR – società di gestione del risparmio S.p.A. at a price of Euro 4.9 million. The sale was completed on July 6. The sale resulted in a gain of Euro 0.6 million in the second half of the year.
- **16/09/2010:** Fondiaria-SAI S.p.A., on conclusion of negotiations, agreed the sale of 100% of the share capital of the subsidiary Banca Gesfid SA to PKB Privatbank SA, once the buyer obtained the relevant authorisations from the Swiss authorities.  
The sale generated a gain of approx. Euro 31 million for the Parent Company.
- **01/10/2010:** The rating agency Standard & Poor's revised the rating of Fondiaria-SAI and its principal subsidiary Milano Assicurazioni S.p.A. from BBB+ to BBB.
- **01/12/2010:** The rating agency Standard & Poor's put Fondiaria-SAI and Milano Assicurazioni on negative Credit Watch due to the uncertainties surrounding the successful completion of the announced share capital increase of the parent company Premafin S.p.A..
- **31/12/2010:** merger by incorporation of the companies Systema Vita S.p.A. and Italiberia Inversiones Finacieras SL into Fondiaria-SAI S.p.A..

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## NEW INSURANCE PRODUCTS

### Non-Life Division

- The policy **Difesa Più Casa One** was launched in March, the new multi-guarantee product for the home which broadens the “Difesa Più” line of products.
- In June, the policy **Difesa Più Alla Guida** was also launched, a product which insures the driver and passengers for injuries resulting from traffic accidents.
- At the end of the year **Retail Più Infortuni Classic** became available, a new accident product which broadens the classic line.

### Life Division

- On March 8, two new Life products were made available **Open Risparmio** and **Open Gold**, which improved the Recurring Premium product offer within the Individual Life Segment.  
While Open Risparmio is a restyling of a current product (although extensive in terms of the easily accessible advantages for the Client), Open Gold is a groundbreaking product and unique in the market.
- On April 1, a new version of the product **Open Free** (2010 edition) was launched, a single premium mixed special insurance policy with capital revaluation.

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

### **BOARD OF DIRECTORS**

Salvatore Ligresti

*Honorary Chairman*

Jonella Ligresti\*

*Chairman*

Giulia Maria Ligresti \*

*Vice Chairman*

Massimo Pini \*

*Vice Chairman*

Antonio Talarico \*

*Vice Chairman*

Emanuele Erbetta\*

*Chief Executive Officer - General Manager*

Andrea Broggini

Maurizio Comoli

Francesco Corsi

Carlo d'Urso

Vincenzo La Russa\*

Gioacchino Paolo Ligresti \*

Fausto Marchionni

Valentina Marocco

Enzo Mei

Giuseppe Morbidelli

Cosimo Rucellai

Salvatore Spiniello

Sergio Viglianisi

Graziano Visentin

Fausto Rapisarda

Secretary of the Board and the Executive Committee

### **BOARD OF STATUTORY AUDITORS**

Benito Giovanni Marino

*Chairman*

Marco Spadacini

*Statutory Auditor*

Antonino D'Ambrosio

*Statutory Auditor*

Maria Luisa Mosconi

*Alternate Auditor*

Alessandro Malerba

*Alternate Auditor*

Rossella Porfido

*Alternate Auditor*

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## **INDEPENDENT AUDITOR**

RECONTA ERNST & YOUNG S.P.A.

## **GENERAL REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS**

Sandro Quagliotti

## **GENERAL MANAGER**

Emanuele Erbetta

Stefano Carlino

## **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 positions of Chief Executive Officer and General Manager, while remaining in the office of Director (expiry of office: approval of 2011 accounts). The Board, also on January 27, 2011, appointed Mr. Emanuele Erbetta in place of the resigning Ms. Lo Vecchio, who was delegated also the position of Chief Executive Officer, all positions concluding at the shareholders' meeting for the approval of the 2010 accounts. Mr. Erbetta continues as General Manager.

The Chairman, Ms. Jonella Ligresti, and the Chief Executive Officer, Mr. Emanuele Erbetta are the representatives of the company pursuant to article 21 of the Company By-Laws and have all ordinary and extraordinary administrative powers with all rights thereto, 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 15 million for each operation;
- sale and/or purchase of investments of a value above Euro 30 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 Chairman and the Chief Executive Officer report to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the above powers, with particular regard to atypical, unusual or operations with related parties (where not reserved to the Board) and, in general, on the most significant operations.

The Executive Committee has all the powers not already attributed to the Chairman and to the Chief Executive Officer, except for those which for law or the company by-laws are the exclusive competence of the Board of Directors, while providing that - in accordance with the principles of correct conduct in relation to carrying out significant transactions and procedures for transactions with related parties approved by the Board of Directors' meeting of November 30, 2010 - the exclusive competence to the Board of all deliberations in relation to the transactions with related parties which for subject, payment, terms, conditions and time period may have effects on the safeguarding of the company assets or on the completeness and correctness of the information, including accounting, relating to the issuer, with the exclusion of the operations made between subsidiary companies and subsidiary companies with associated companies. The attribution of exclusive duties to the Executive Committee in relation to specific types of operations or operations with limited amount does not exist. The Committee reports to the Board of Directors at each meeting on the exercise of its powers.

The Board of Directors was appointed by the Shareholders' Meeting of April 24, 2009.

The Board will expire, together with the Board of Statutory Auditors, with the shareholders' meeting for the approval of the financial statements for 2011.

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**CALL NOTICE OF THE ORDINARY SHAREHOLDERS' MEETING**

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Those with the right to attend and vote are called to the ordinary shareholders' meeting scheduled for April 27, 2011, at 5 PM at the company offices in Turin, Corso Galileo Galilei No. 12 in first call and, if necessary, in second call on April 28, 2011, at the time of 11 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. Resolutions concerning the composition of the Board of Directors following the resignation from office of Ms. Lia Lo Vecchio.
3. Resolution relating to treasury shares in accordance with articles 2357 and 2357-ter of the Civil Code.
4. Resolutions on the shares of the 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 8 of the By-Laws, those who based on the communication sent to the company from a properly appointed "intermediary" in accordance with the applicable regulation and in accordance with the accounting records by the end of the 7<sup>th</sup> 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 Fondiaria-SAI S.p.A. shares, not within the Monte Titoli S.p.A. system that exercise the rights relating to these securities may be made exclusively through the delivery of these certificates to an intermediary for the input into the management system. Those with such rights 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.fondiaria-sai.it](http://www.fondiaria-sai.it).

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

Fondiaria-SAI S.p.A.  
Direzione di Firenze  
Att.ne Ufficio Soci  
Via Lorenzo il Magnifico, 1  
50129 FIRENZE

or through electronic notification to the certified email address "gruppfondiarai-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](http://www.fondiaria-sai.it).

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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 2<sup>nd</sup> 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 "gruppofondiarisai@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 "gruppofondiarisai@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 167,043,712.00, consists of 124,482,490 ordinary shares and 42,561,222 savings shares, all with a nominal value of Euro 1.00 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 110,099,933 ordinary shares.

### **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.fondiarisai.it](http://www.fondiarisai.it).

Specifically: (i) the Directors' Report on points 2, 3 and 4 of the agenda will be made available to the public at least 30 days before the shareholders' meeting; (ii) the Annual Report and the other documents as per Article 154-ter of the CFA will be made available within a sufficient time period and however not less than 21 days before the shareholders' meeting. The documentation concerning the financial statements of the subsidiaries and associated companies will be made available to the public at least 15 days before the shareholders' meeting in first call. 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.fondiarisai.it](http://www.fondiarisai.it), in the newspaper Il Sole 24 Ore and in the Official Gazette of the Italian Republic.

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## **2010 Directors' Report**

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Dear Shareholders,

2011 for Fondiaria SAI will be remembered as a year of change. Against a deterioration in the technical and financial results at a level never seen before for the Company, 2011 will see the immediate relaunch of profitability.

To facilitate this we adopted a new organisational structure.

Fondiaria-SAI therefore recently undertook further initiatives to improve industrial profitability, although extraordinary measures were not resorted to - with the exception of some property sales previously approved and of an ordinary nature.

In the Non-Life sector, attention was focused on prudent underwriting and achieving efficiencies, integrating and restructuring the technical activities from assumption to distribution and from the management of claims to settlement.

In relation to the Life Division, for the first time for many years the short-term rates in the majority of international economies were very low and are expected to remain so for the coming months. In 2010, we therefore had to cope with a gradual realignment of the returns from separated management to current market rates, with the consequent necessity to maintain an adequate return both to maintain the attractiveness of products and to sustain the minimum guaranteed rates for the contracts in portfolio.

Fondiaria-SAI is committed in 2011 to increase focus on competitiveness and efficiency improvements, thanks also to the reorganisation in progress following the completion of the corporate restructuring.

## 2010 OPERATIONAL PERFORMANCE

In line with the choices made for the 2009 financial statements, the company did not avail of the provisions contained in article 15 of Legislative Decree No. 185/08 and successive modifications (the so-called ‘anti-crisis decree’) to value the securities not held to maturity by the Company at the value recorded in the last approved accounts, but at the market price at 31/12/10.

In the 89<sup>th</sup> year of your Company, a loss of Euro 366 million was recorded, compared to a profit of Euro 40 million in 2009.

The financial highlights for the year are shown below:

	2010	2009	Change
Non-Life Technical Result	(263,058)	(171,952)	(91,106)
Life Technical Result	(174,223)	145,381	(319,604)
<b>TOTAL</b>	<b>(437,281)</b>	<b>(26,571)</b>	<b>(410,710)</b>
Net financial income Non-Life Division	(225,870)	185,913	(411,783)
(deduct quota transferred to technical account)	-	(130,167)	130,167
Quote transferred to the Life technical account	-	53,902	(53,902)
Other income and charges	(114,531)	(82,424)	(32,107)
<b>RESULT FROM ORDINARY ACTIVITY</b>	<b>(777,682)</b>	<b>653</b>	<b>(778,335)</b>
Extraordinary income and charges	45,777	35,464	10,313
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>(731,905)</b>	<b>36,117</b>	<b>(768,022)</b>
Income taxes	95,498	4,099	91,399
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>	<b>(636,408)</b>	<b>40,216</b>	<b>(676,624)</b>
of which Non-Life	(494,079)	(84,469)	(409,610)
of which Life	(142,329)	124,685	(267,014)

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

The loss for the year has been significantly affected by impairments on financial instruments in addition to the need to absorb the poor performances of some subsidiaries, among which DDOR, which had a negative effect on the result of more than Euro 137 million.

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The principal factors affecting the result were as follows:

- The technical result in the Non-Life Division reported a loss of Euro 263 million compared to a loss of Euro 172 million in the previous year (this latter however gross of 2009 financial income).  
The increase in overall premiums (approx. +2.1%), although significantly marking a turnaround on recent years, was not sufficient to offset the need to introduce a reserve strengthening policy, with particular reference to the prior year claims reserves of the Civil Responsibility Classes;
- The low level of interest rates and the contained amount of dividends from investments, together with significant impairments, combined to significantly reduce income.  
Investment income does not include the dividend of the subsidiary Milano Assicurazioni and the write-downs, including those on treasury shares, amounting overall to Euro 597 million (Euro 121 million in 2009).  
Of these, over Euro 304 million, relate to subsidiary companies, including the previously mentioned DDOR for Euro 137 million, affected also by the significant depreciation of the Serb Dinar against the Euro. In addition further impairments were carried out principally on the bond portfolio, affected by the market turbulence which has particularly centred on the government bond markets in the latter part of the year;
- The Life Division continues to return encouraging results with premium written (+15.9% for direct premiums on 2009) which reflect the effort to ensure client loyalty and the strong uptake by the market of new Company products - particularly in the pension sector. The loss recorded in the technical account is principally due to a significant contraction in investment income, and particularly from the impact of write-downs which, as noted, are not immediately represented in the commitments to the policyholders.

More specifically:

- The **Non-Life Division** recorded a technical loss of Euro 263 million (loss of Euro 172 million in 2009), which included net financial charges. The Civil Responsibility Classes continued report difficulties in the prior year claims reserves, affected by the need to strengthen the residual load - due also to the introduction of the new physical injury tables across the country.  
However, following the tariff adjustments made from December 1, 2009 in the Motor TPL class, the premium quality improved both in terms of the average premium and a decrease in the number of overall policies and therefore risk exposure.  
Premiums in the Motor TPL class increased by 4.4% on 2009 following the acquisition of a number of vehicle fleets. The reduction in the number of claims reported (-4.2%) is also encouraging and follows the implementation of a more stringent settlement process by the Company to deal with the high number of fraudulent claims which have afflicted the sector. Despite this, the gradual rolling out across the country of the new physical injury compensation tables significantly affected the average claims cost, both directly in relation to the claims paid and indirectly through a prudent strengthening of the previous generation reserves.



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In relation to the Other Classes it is noted that:

- The Land Vehicle Class, although affected by a significant contraction in premiums (-5.1% on 2009), recorded a technical profit, gross of reinsurance, of Euro 21 million compared to a loss of Euro 17 million in 2009, thanks to the commercial policies undertaken to recover profitability in the sector, which resulted in a significant decrease in claims reported (-9.4%);
- The loss in the Non Motor Classes follows the continuation of elevated claims charges, affecting particularly the Civil Responsibility and Health Classes. The current generation performance is substantially in line with 2009. The initiatives undertaken such as the introduction of new products, the review of existing product tariffs, greater controls and a reduction in discounting in the retail sector should have positive effects in 2011. In the corporate sector, the prudent selection of new risks continued, in addition to the review of the products in portfolio with discontinuation and/or extensive review of the guarantees given.

- **Management expenses** totalled Euro 919 million (+4.3%) accounting for 18.2% of gross premiums (18.3% in 2009). In the Life classes these decreased from 6.5% to 5.6% of total expenses, while in the Non-Life classes amounting to 22.2%, an increase on 2009.
- The **technical reserves** amounted to Euro 14,741 million (Euro 14,241 million at 31/12/2009). Of this, Euro 6,275 million related to the Non-Life Division (Euro 6,177 million at 31/12/2009) and Euro 8,466 million to the Life Division (Euro 8,064 million at 31/12/2009).
- **Investment income**, without considering write-backs/impairments, decreased by approx. 10% on 2009 at Euro 523.9 million thanks to the contribution of net gains on financial instruments of Euro 134.9 million (including gains on the non-current portfolio) following focussed trading activity. Ordinary net income decreased to Euro 389 million as a result of the effects previously commented upon concerning the continuation of the difficult economic environment with reduced interest rates and income from dividends.
- The net impact on the income statement of the **valuation of financial instruments**, including shareholdings in subsidiaries, was a charge of Euro 585.5 million (income of Euro 30.4 million in 2009) and including Euro 15.3 million of write-downs on treasury shares which are not included in net investment income but rather in other extraordinary items. Total write-downs concerning subsidiaries and associated companies amount to Euro 303.8 million and include the previously stated impairments of DDOR Novi Sad for Euro 137.1 million, as well as the write-down in the investment in Popolare Vita for Euro 79.6 million.
- The balance of **other ordinary items** was a charge of Euro 114.5 million (charge of Euro 82.4 million in 2009), including Euro 50.1 million of amortisation on intangible assets (of this Euro 48 million attributable to goodwill) and Euro 47.4 million of interest expense.
- **Extraordinary items**, recording income of Euro 45.8 million include, in addition to the above-stated write-down on treasury shares in portfolio, the net gains to be realised on long-term bonds and equities for Euro 65.8 million. The decrease in extraordinary income on 2009 is principally due to the contribution in the previous year from the conferment of a number of properties to the Rho Fund managed by Fimit SGR.

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Total current and deferred taxes in the year amount to net tax income of Euro 95.5 million (net tax income of Euro 4.1 million in 2009).

Therefore, the tax rate for the year was not comparable with the same data of the previous year.

Compared to the year 2009, there was a further reduction in exempt income due to the lower amount of dividends in the year and lower realisation from non-current equity securities.

Against this, the increases in impairments had a significant impact, in particular on the investments in Group companies and some listed investments recorded under non-current assets which reduced the tax loss of the Company which amounts to approx. Euro 280.1 million, gross of the effects from the national tax consolidation.

The tax loss contributing to the Group tax consolidation, together with the results contributed by other consolidated companies, is therefore high and should be recovered in subsequent years. The related deferred tax assets recorded are considered reasonable given the expected future results - at an individual level and at Group level – over a five-year period for the re-absorption of the above-stated losses.

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

## PREMIUMS WRITTEN

Overall, the premiums written amounted to Euro 5,063 million compared to Euro 4,813 million in 2009, an increase of 5.18%.

The direct premiums written amounted to Euro 5,049 million – an increase of 5.24%.

The total premiums written in 2010, in the various sectors, are summarised in the table below:

(in Euro thousands)	2010	2009	Change %
<b><u>DIRECT PREMIUMS</u></b>			
Motor Division	2,491,534	2,424,441	2.77
Other Non-Life Classes	1,326,549	1,311,556	1.14
Total Non-Life Division	3,818,083	3,735,997	2.20
Total Life Division	1,231,111	1,061,766	15.95
<b>TOTAL DIRECT PREMIUMS</b>	<b>5,049,194</b>	<b>4,797,763</b>	<b>5.24</b>
<b><u>INDIRECT PREMIUMS</u></b>	13,567	15,712	(13.65)
<b>TOTAL</b>	<b>5,062,761</b>	<b>4,813,475</b>	<b>5.18</b>
of which:			
Non-Life Division	3,827,231	3,746,517	2.15
Life Division	1,235,530	1,066,958	15.80

## ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2010

### International economic overview

The growth outlook for the world economy at the end of 2010 appears stronger and broader, with overall growth expected at approx. 5%, featuring a robust performance by the emerging economies (in particular China and India) and an improvement in the outlook for the US economy, although continuing to be affected by uncertainties concerning the strength of the recovery. Growth within the Euro area remains tentative due to the weakness of the labour market which affects household consumption and the need to provide support for a number of countries following the heightening of the Sovereign Debt Risk related to the sustainability of public deficits. The availability of credit within the Eurozone, after recovering the pre-crisis levels in the first half of 2010, experienced a slowdown - with the exception of Germany.

According to OECD projections for the world economy in 2011, growth is forecast to slowdown to 4.2%, with the emerging countries contributing significantly, however with a focus on the adoption of measures to avoid excessive inflation.

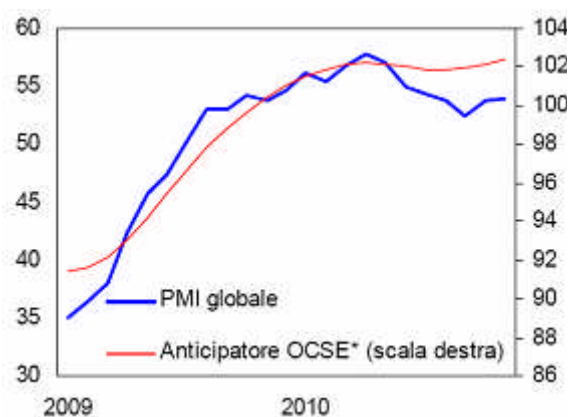
**Table 1 – Economic outlook**  
(% change on previous year)

	OCSE			Consensus Economics	
	2009	2010	2011	2010	2011
<b>GDP</b>					
World	(1.0)	4.6	4.2	-	-
Advanced countries					
Euro Area	(4.1)	1.7	1.7	1.7	1.5
Japan	(6.3)	3.7	1.7	4.3	1.2
United Kingdom	(4.0)	1.8	1.7	1.7	2.1
United States	(2.6)	2.7	2.2	2.9	3.2
Emerging countries					
Brazil	(0.6)	7.5	4.3	7.9	4.5
China	9.1	10.5	9.7	10.1	9.2
India <sup>(1)</sup>	7.7	9.1	8.2	8.7	8.3
Russia	(7.9)	3.7	4.2	3.9	4.2
<b>World trade <sup>(2)</sup></b>	<b>(11.1)</b>	<b>12.3</b>	<b>8.3</b>	<b>-</b>	<b>-</b>

Source: OECD, Economic Outlook No. 88, November 2010. Consensus Economics, January 2011

(1) the figures refer to the fiscal year. 2) goods and services.

**Graph 1 – Acceleration of global growth**  
(seasonally adjusted)



Source: Confindustria Centre elaboration on OECD data.

(\*) OECD countries + China, Brazil, India, Indonesia, Russia and South Africa.

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## **USA**

In Q4 2010, US GDP increased on an annual trend basis by 2.8% (1.7% for the first half of the year). Growth was supported principally by household consumption and by the restocking of inventory. The most recent data highlights increased GDP in the fourth quarter.

Industrial production, after a drop in October, should resume growth again in November and December: from the demand side, against a slight increase in disposable income in October and November, household consumption should strengthen further, particularly for durables.

In 2010, the average length of unemployment increased: more than 40% of the unemployed are long-term and difficulties in rejoining the workforce disincentivises their participation in the labour market.

In addition to the labour market weakness, continuing difficulties exist in the property sector. In the final months of 2010, sales became stagnant once again with the continuation of over supply on the market: in November, the time necessary to move new unsold homes stood at around eight months compared to an average of five in the decade preceding the crisis.

In order to consolidate the recovery, the US government in December introduced a new fiscal stimulus programme of approx. USD 800 billion (5.5% of GDP), to be rolled out over the 2011-12 two year period. This establishes, among other measures, the continuation of tax relief for those on medium-high incomes, introduced by the previous administration, and special unemployment subsidies up to 99 weeks. The plan also includes new measures to support income and investment, such as the reduction of 2% in social security contributions for employees in 2011, as well as the option for businesses to postpone contributions equating to all investments that will be made in 2011 and for 50% of those in 2012. According to some analysts, the measures may have a positive impact on GDP of 0.5 percentage points in 2011; the most significant effects would be on consumer spending, with effects also on employment and inflation.

## **Asia, China and Japan**

In 2010, Chinese GDP increased by over 10%. This figure which beat even the most optimistic estimates, marks the most significant growth since the financial crisis of 2008 and further confirms the strength of the Chinese economy. Industrial production also grew (+15.7%). The most recent economic indicators highlight that economic activity will remain strong, although supported principally by internal consumption and investment demand, despite the progressive weakening of the effects from the fiscal stimulus. The consumer price index remains high (+3.3% in 2010), three tenths percentage points higher than the Chinese government target, particularly due to soaring property prices.

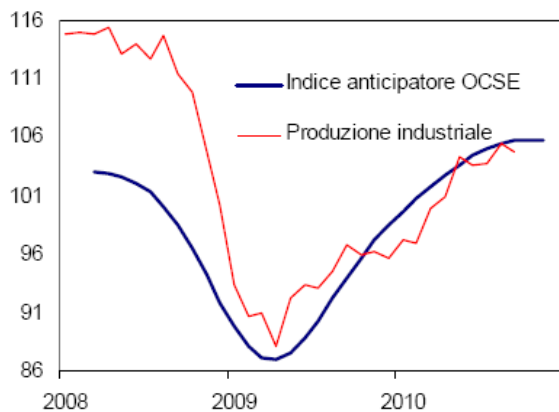
In Japan, GDP in the third quarter 2010 accelerated to an annual 4.5% from 3.0% in the first half year, thanks particularly to household consumption supported principally by temporary factors. Private non-residential investments and inventories contributed positively to the growth, against a decrease in public expenditure and the reduced effect of the trade surplus.

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### Euro Area

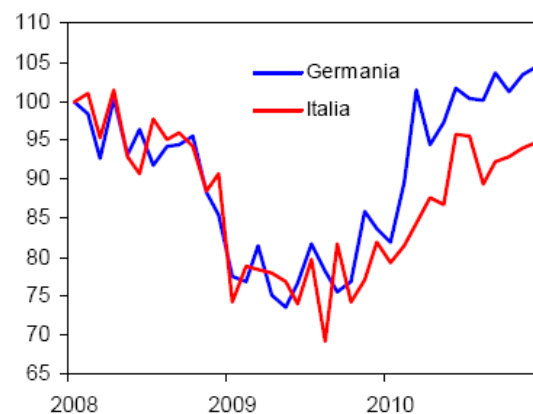
In the third quarter of 2010, GDP in the Euro Zone increased by 0.3% on the previous quarter, against 1% in the first half-year. The German economy, although experiencing a slowdown (0.7% growth from 2.3%), was still significantly stronger than the rest of the Zone. Exports, the principal driver of a recovery, decelerated (+1.9% on the previous quarter, from 4.4% in the first half year) as a result of the slowdown in the world economy.

**Graph 2 – Germany Growth  
(seasonally adjusted)**



Source: Confindustria Centre elaboration on OECD data

**Graph 3 – German vs Italian exports  
(non-EU, in value terms, January 2008=100)**



Source: Confindustria Centre elaboration on Eurostat data.

In December 2010 and at the beginning of January 2011, difficulties in relation to sovereign debt were apparent, not just in Greece, Ireland and Portugal, but also in other countries in the Euro Zone, such as Spain, Italy and Belgium, highlighting the uncertainty within the Eurozone in relation to the recovery and with the possibility of a double dip recession remaining real. The risks essentially relate to difficulties on the financial markets and their potential to affect the economy as a whole. Further risks relate to fresh hikes in energy prices, moves towards trade protection and a sudden correction of international imbalances.

The growth in demand, particularly in the Emerging Countries, has resulted in significant inflationary pressures on raw materials, principally impacting the food and energy sectors and resulting in “imported” inflation. Consumer prices in the Eurozone in 2010 increased by 2.2% from 1.4% in the first half year.

## The Italian economy

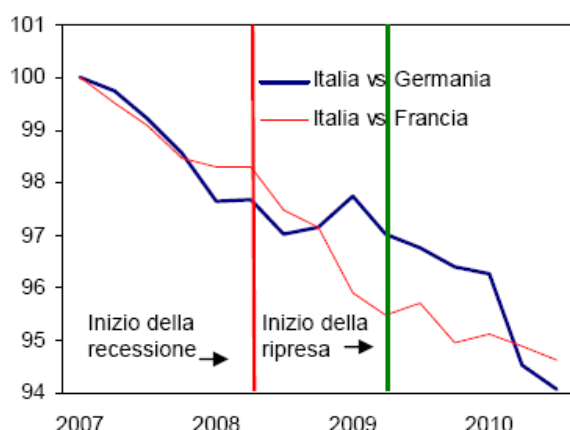
The slowdown in the Italian economy was more sudden than predicted and also in comparison to the other economies in the Euro Zone. In the fourth quarter, Italian GDP grew slightly by 0.1% on the previous quarter (+0.3% in Q3), extending into 2011 the lost growth. In comparison to the fourth quarter of 2009 GDP grew however by 1.3%. The setback within the Italian economy followed a slowdown in export growth (11.1% compared to 18.9%), against a growth in imports only slightly lower than Germany.

The slowdown should continue into the coming quarters, according to the OECD indicators declining also in September for the seventh consecutive month, which is also the view of businesses.

Industrial activity, after 0.9% growth in October according to the Confindustria Study Centre estimates, which partially offset the significant contraction of September (-2.1%), returned to growth in November 2010, with an increase of 1.1% (seasonally adjusted) compared to October and 4.1% (at like-for-like duration) compared to the same month of 2009. On a monthly basis, the result returned to positive territory after two successive contractions, while on an annual basis accelerating (from +2.9% in October 2010 to +4.1% in November 2010).

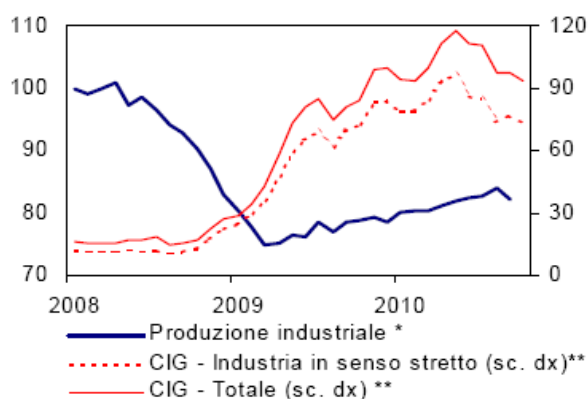
**Graph 4 – GDP: Italy loses ground**

(Italy vs Other countries, seasonally-adjusted data)



Source: CSC elaborations on Thomson Reuters and ISTAT data

**Graph 5 – Italy: Industrial production and Temporary Lay-off Scheme**



Source: CSC elaborations on ISTAT and INPS data

(\*) in 2008: January = 100

(\*\*) million of authorised hours

The November industrial production figures confirm the consolidation of the recovery, after a significant drop in September (-2.1%) and the improvement of October, signalling a return to pre-summer growth rates, with an average monthly growth in the period of 0.7% (+7.7% annualised compared to the minimum levels of March 2009).

Although the general unemployment rate of 8.6% remained stagnant (over 2 million persons), in December 2010 the youth unemployment rate reached 29%, an increase of 0.1% on the previous month and 2.4% on 2009. The monthly ISTAT figures highlighted a stabile situation within the European context, also remaining unchanged.

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The preliminary estimates of ISTAT highlight an average annual inflation rate in 2010 of 1.5%, nearly double 2009 (0.8%). Economic growth in December was particularly strong, in which consumer prices rose 0.4% (1.9% annually), the highest since December 2008.

## **The insurance sector**

Total premiums written in the Non-Life and Life Classes by Italian companies and by representatives in Italy of non-EU companies in the first nine months of 2010 amounted to Euro 94.1 billion, an increase of 14.9% on the same period of 2009.

The Non-Life portfolio, which totalled approx. Euro 25 billion, contracted by 2.6%, accounting for 26.6% of the total portfolio (31.4% in the same period of 2009). Life insurance premiums amounted to Euro 69.1 billion, an increase of 22.9%, with a percentage of the overall Non-Life and Life portfolio amounting to 73.4% (68.6% in the same period of 2009).

In this difficult economic environment, featuring growing uncertainty, the solidity of the Italian insurance industry has ensured continued guarantees and security for both households and businesses. In Italy, following the financial crisis, not one request for public assistance came from the insurance companies. The recapitalisations, where necessary, were achieved through the normal market mechanisms. In 2010, the insurance system was able to play a stabilising role in the absorption of risk.

However, in an international context, Italy is unfortunately characterised by a significantly lower amount of insurance coverage in comparison to other advanced economies. Italian households and businesses are less protected against risks in comparison to their foreign counterparts. This must be considered a weakness within the Italian system: the underinsured household is of course more vulnerable financially.

A recent study by ANIA and the OECD has highlighted that in the last 10 years, against GDP standing at a level slightly lower than the end of 2000, total gross premiums are approximately 50% higher than the situation at the end of the century. This analysis emerged from the last report of the US ratings agency Moody's which, for Italian companies, improved the outlook in the Non-Life Division from negative to stable, based on the uptake in policy subscriptions and the possibility that the sector will return to technical profitability in 2011. For the Life Division, despite the growth over the last 18 months, the outlook remains however negative, in line with the rest of the European Life sector, due to the continuation of low interest rates.

Despite Moody's expectations for an improvement in the technical result, the total net profit in the Non-Life sector will most likely remain weak, due to the low returns from investments in portfolio. Compared to the other European markets, Moody's considers the guarantee risk on Italian Life products moderate, thanks to the current margin between the return on investments and the guaranteed rate and the percentage of the Life reserves containing guarantee products.



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The satisfaction levels within the claims management improved thanks also to the direct indemnity system: in particular those interviewed were appreciative of the assistance received on the claims, the compensation timelines, the repayment amount and the professionalism throughout the settlement process. The survey also revealed that client mobility has increased: 21% within two/three years change company (while the previous survey put the figure at 16%). This situation is particularly evident in relation to Motor TPL insurance, which is a product undertaken by nearly the entire market (98%). In the latest two-year period, the amount of Motor policyholders who have requested, close to the expiry of the contract, estimates from other companies has increased and this is independent of the fact that the client has chosen to either change company or utilise the comparative information as a factor in drawing up a fresh contract with their insurer.

In relation to other insurance products, the survey highlights the growth in products undertaken in the professional segment, while the “home” and “family” policies are undersubscribed in comparison to the high rate of property ownership of Italian families. Overall, families with home policies amount to approx. 4.2 million, approx. 38% of home owners. Among the most widely held coverage, Fire, Family TPL and theft are confirmed as the leading categories.

## **Regulatory framework**

With reference to the principal regulatory norms concerning the Italian insurance market in 2010, the following information is provided.

### **Disclosure and advertising obligation regulations for insurance products**

In May, ISVAP issued Regulation No.35 to implement a number of provisions of Legislative Decree No. 209/05 (“Private Insurance Code”). This Regulation seeks to increase the transparency and clarity of pre-contractual documents concerning insurance products, through introducing disclosure obligation regulations for companies and regulations concerning the advertising of products in order to protect the consumer.

With this Regulation (entering into force on December 1, 2010), together with all commercial contracts a summary table will be supplied (or a disclosure note) concerning the Share Capital, the equity reserves and the solvency ratio.

The data should concern the latest approved financial statements and should be updated by May 31 of each year and communicated to the contracting party also through distance communication methods; when during the period prior to the annual updating, changes occur in relation to the information contained in the documents, the company must supplement promptly the information document in circulation and provide prompt notice of such on the internet site.

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The most relevant and important new developments for the consumer relate to the following types of contract:

■ Contracts relating to the signing of mortgages or personal loans:

- a) it is explicitly prohibited to contemporaneously assume, directly or indirectly, the position of grantee/binding party of insurance services and as broker of the contract (article 52, paragraph 1, of Regulation No.35). This regulation is particularly directed at policies connected to mortgages or to loans in which the banks (or the financial companies) are both the party issuing the loans and that brokering the policy (receiving on average commissions greater than 80% of the premium);
- b) in the case of transfer or advanced settlement of mortgages and of other loans related to insurance contracts for which a single premium is paid (charge incurred by the debtor/insured party) the part of the premium already paid and relating to the residual period to the original expiry must be repaid to the debtor/insured party (article 49 of Regulation 35);
- c) in the Notes, the company must report all of the costs borne by the contracting party, with indication of the average premium portion of the broker.

■ Health contracts:

within these contracts, for the insurance companies, cancelation is no longer possible in the case of a claim (article 48, paragraph 1 of the Regulation). This prohibition will not however be applied (in accordance with article 37, paragraph 8, of Legislative Decree No.209/2005) to health insurance contracts which have a long-term duration or which in relation to an annual contract have a renewal option on expiry; in this case the insurance company may exercise the right to withdraw, following the claim, only within the first two years following the signing of the contract.

■ Motor TPL contracts:

an information document broken down by specific vehicle category (cars, mopeds and motorcycles) and boats was published in order to provide the potential customer with specific information regarding the type of vehicle for which coverage has been requested (article 30, paragraph 4 of the Regulation).

■ Life insurance product contracts:

the information document supplied to potential contracting parties before the signing of a proposal concerning the insurance product must be drawn up.

The information must be clear and concise and relate to the main features of the contract, the guarantees, the costs, the obligations and any financial risks borne by the contracting party (articles 4 and 5 of the Regulation).

The insurance companies must update every year by May 31 both the summary table and the Notes and where in the preceding period amendments are made to the information which require reporting in this document, the companies must in a timely manner update the documents in circulation and provide also timely notice on the internet site (article 11 of the Regulation).

■ Non-Life insurance contracts:

standardised tables of the Notes required were introduced (contained in the information document with the insurance Conditions and the Proposal Form, where required) and clear numerical elaborated examples were required in order to facilitate the understanding of the clauses relating to exemptions, amounts outstanding and maximum limits, as well as examples of circumstances regarding the modification of risk.

For the contracts signed before the date of entry into force of the Regulation, none of the provisions relating to the information document and the Notes are applicable.

### Direct compensation

After the first four years of the CARD convention, from January 1, 2011 the direct compensation flat rates were amended, established by the technical committee based on the differentiation criteria identified by the Economic Development Ministerial Decree of December 11, 2009.

The current compensation is broken down as follows:

- a single flat rate – CARD CID for minor injuries to the driver and for damage to the insured vehicle and to transported goods, broken down by the major types of vehicles into “motorbikes and mopeds” and “vehicles other than motorbikes and mopeds”. The single flat rate, relating only to the component for property damage is broken down by three geographic areas;
- a flat rate for individual third parties transported – CARD CTT concerning physical damage to the transported person and their property, broken down by the vehicle types indicated above. The flat rate considers the minimum threshold levels established by the CARD Convention.

The single CARD CID flat rate covering the entire national territory is broken down as follows:

- Euro 3,741 for the category “motorbikes and mopeds”;
- Euro 1,883 for the category “vehicles other than motorbikes and mopeds”.

For the identification of the three geographic areas the data provided by CONSAP relating to compensation for property damage paid in full concerning claims occurring between January 1, 2009 and November 30, 2010 is considered, broken down by type of vehicle. Property damage claims are settled quicker and with a speedier allocation of responsibility than physical injury claims. To identify the geographic areas it is sufficient to establish the difference between the costs of the individual province and the national average.

The establishment of the index for drawing up the flat rate, broken down by geographic area, was developed according to the two operating lines, implementing three correction factors.

Applying such coefficients, for the claims in 2011, the following flat rates broken down by geographic area were established.

	Motorcycles & mopeds			Other vehicles		
	group 1	group 2	group 3	group 1	group 2	group 3
Non-life average cost vehicle and property	1,951	1,951	1,951	1,520	1,520	1,520
Coefficient by regional area	1.16	1.00	0.80	1.20	1.00	0.83
Average cost vehicle and property by regional area	2,263	1,951	1,561	1,824	1,520	1,262
Average cost driver physical injury with PI≤9%	4,813	4,813	4,813	3,152	3,152	3,152

The CARD CTT flat rates were broken down as follows:

- Euro 3,959 for the category “motorbikes and mopeds”;
- Euro 3,143 for the category “vehicles other than motorbikes and mopeds”.

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The threshold levels have not changed compared to the flat rate for 2010, specifically:

- the absolute minimum threshold was fixed at Euro 500;
- the proportional minimum threshold was fixed at 10% of the amount of compensation with a maximum of Euro 20,000.

### **Bank of Italy provision**

On June 1, 2010, the Bank of Italy Provision entered into force, concerning the “Implementing provisions for the establishment of the National Computerised Archive for simplified registration as per Article 37, paragraphs 7 and 8 of Legislative Decree No. 231 of November 21, 2007”.

The most significant matters introduced by this provision, published in the Official Gazette of May 4, 2010 are as follows:

1. the obligation to register ongoing and significant operations with companies in which a continuous relationship exists (product company) (Article 6, paragraphs 1 and 2);
2. the registration of transactions through bank transfer is no longer carried out in simplified form, but in complete form. Therefore also for payments carried out through bank transfer it will be necessary to acquire the full details of the client and any executor of the transaction, as is the case for payments carried out through cheque. The anti-money laundering procedure was also changed which made it necessary for the contracting party and the payer's data to be registered following payment by bank transfer;
3. payments made through cashiers's cheque and direct debits must also be registered in the NCA;
4. the details of the beneficial owner with registration declaring the relationship with the owner must be recorded in the NCA; therefore greater attention needs to be focused on the collection of data of any beneficial owner;
5. for fractioned operations, the time period for recording becomes 7 days and all transactions of less than Euro 15,000 carried out on the same day must be included in the registration - also subsequent to reaching the threshold. The fractioned operations to be considered for the aggregation outlined above are those equal to or greater than the minimum threshold agreed by Ania which, from 01/06/2010, increased from Euro 3,098.74 to Euro 5,000.

### **New regulations on consumer credit**

The new regulation concerning consumer credit was approved by the European Parliament in 2008, but for Italy the approval process was introduced only in June 2010 and which must be completed by the summer break to enact the new provisions. The new regulation should facilitate uniformity and common regulations in all member states of the European Union in relation to financing.

The thresholds were revised: consumer credit previously had a limit of approx. Euro 30,000, while now the contracts included in the new regulation range between a minimum of Euro 200 to a maximum of Euro 75,000. Those that obtain loans have the right to withdraw: loan contracts may be rescinded within 14 days from signature of the loan contract, without providing reasons, under specific methods.

The regulation will modify also the conditions relating to the advanced settlement of a loan - previously advanced cancelation charges were a maximum of 1% of the repaid amount, while under the new regulation, the maximum penalty will be 1% of the advanced repaid amount if the time between the advanced settlement and the date of the expiry of the contract is greater than one year.

In the case in which this period is less than one year, the advanced settlement charges may not be greater than 0.5% of the advanced repaid amount.

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### **Taxation of the Life Division reserves**

On July 30, 2010 the enactment law of Legislative Decree 78 of May 31, 2010 was approved which introduces important provisions of a tax nature with particular reference to the taxation of insurance companies. The declared governmental objective is to rebalance the public accounts through greater tax contributions from the insurance sector.

The provision approved provides for the partial deductibility of the increase of the obligatory Life Class reserves in proportion to the amount of taxable income as a total of revenues and of income with a minimum deductibility threshold of 95% and a maximum of 98.5% of the change in reserves.

Therefore the companies which currently have a higher degree of tax exempt income will be penalised greatest such as for example those with investments in shares or who have recorded significant growth in the Life business.

Unfortunately this new tax regime will have a double impact: both for the insurance companies, who will have to reconsider the growth strategy in the Life Classes and for the consumer who will see a reduced offer of Life policies with more protection for the saver.

Although it is undoubted that everyone must support the recovery of the public accounts, provisions of this nature and specifically aimed at the insurance sector should be preliminarily agreed among the relevant parties. This would allow on the one hand a better appraisal of the situation and guarantee the revenue expected and on the other achieve a greater degree of fairness in the measures taken and without which imposes excessive penalisation on the market and on the companies operating in the sector.

### **Claims Data Bank**

On January 1, 2011 ISVAP provision of August 25, 2010 (Official Gazette 209 of 7/9/2010) entered into force which introduced the minimum thresholds (indicators of possible fraudulent behaviour) necessary to carry out research in the Claims Data Bank.

The monitoring will be focussed both on the vehicle registration and on the physical person, in order to identify any suspect incidents.

### **Motor TPL reform**

ISVAP on February 14 last issued a circular through which it requested insurance companies to communicate the distribution of policyholders in the various “bonus-malus” classes contained in their Motor TPL premium portfolio.

The supervisory authority should in fact issue by end of May its reformed proposal of the premium system and the penalties for such within the Non-Life Sector. Law 40 of April 2, 2007 (so-called “Bersani Bis package”) established new rules for the management of Motor TPL policies, allowing new licence holders to utilise the “bonus-malus” of their parents. Presently, the majority of drivers are grouped in the higher classes. This “meritocratic” mechanism was rapidly stalled however, to the detriment of these latter drivers.

The objective of ISVAP, having acquired a complete IT base, is to simplify this procedure, making it more in line with the real characteristics of the individual policyholders and their respective risk profile, in order to identify the most appropriate system to apply to the Italian situation, taking as a departure point those utilised in other European countries such as France, Germany and Spain.

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## **DEVELOPMENT STRATEGY OF THE FONDIARIA-SAI GROUP**

### **2011 Guidelines**

The Board of Directors' meeting held in December 2010 discussed and approved the 2011 Guidelines, identifying the following five principles:

- recovery of the solvency margin;
- focus on core business;
- improve the value of real estate assets;
- enhance the value of diversified assets;
- cost rationalisation.

For further details reference should be made to the Consolidated Financial Statements.

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## **Non-Life Insurance Sector**

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## THE NON-LIFE INSURANCE MARKET

In relation to the gross premiums for the first three quarters of 2010, the total premiums of the Non-Life and Life Divisions of the Italian Companies and of the Italian agencies of companies outside the EU amounted to Euro 94.1 billion, with an increase of 14.9% on the same period of 2009.

The Non-Life portfolio, which totals approx. Euro 25 billion, decreased by 2.6%, accounting for 26.6% of the total portfolio (31.4% in the same period of 2009).

In particular, the premiums portfolio of the Motor TPL classes and the Maritime TPL classes totalled Euro 12.4 billion (-1.1% on the first nine months of 2009), comprising 49.8% of total Non-Life Division premiums (49% in the same period of 2009) and 13.2% of total premiums (15.4% in the first nine months of 2009).

The largest amount of premiums written in the other Non-Life classes were Land Vehicles with 8.6% (8.8% in the first nine months of 2009), Accident with 8.1% (8.3% in 2009), General TPL with 7.7% (8.1% in 2009), Other Property Damage with 6.8% (6.7% in 2009), Health with 5.8% (5.6% in 2009), and Fire and Natural Elements with 5.7% (5.6% in 2009).

The analysis by distribution channel continues to highlight the large proportion of premiums written through brokerage agencies, amounting to approx. 83.1% of the Non-Life portfolio (84.1% in 2009) and 89.7% of the Motor TPL division (90.5% in 2009).

With reference to the motor market, 2010 was again a difficult year. December once again saw a drop in registrations, with the number of new registrations in Europe at 1,048,378, a decrease of 2.7% on the same month of 2009 and a contraction for the entire year of 4.9%, with 13,785,598 new registrations. The decline was across the board: only Great Britain and Spain saw increases in 2010.

The motor market in Italy in December dropped 21.7% on December 2009, recording 130,319 new registrations. Sales on an annualised basis fell 9.2%, with a total number of sales in Italy in 2010 of 1,960,282.

2011 also began with a slowdown. New registrations in January, according to the data of Acea, decreased by 1.1% to 1,072,548 from 1,084,771 in January 2010 in the EU 27 and the EFTA countries.



## PREMIUMS WRITTEN

Premiums written amounted to Euro 3,827 million, an increase on 2009 of 2.15%.

The direct premiums written amounted to Euro 3,818 million – an increase of 2.2%.

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

(in Euro thousands)	Percentage				
	2010	2009	Cge. %	2010	2009
<b>DIRECT PREMIUMS</b>					
Accident	238,523	247,475	(3.62)	6.23	6.61
Health	173,791	167,294	3.88	4.54	4.47
Railway	5	3	66.67	-	-
Aviation	1,125	1,329	(15.35)	0.03	0.04
Maritime	4,697	5,799	(19.00)	0.12	0.15
Merchandise transport	7,409	6,452	14.83	0.19	0.17
Fire and other natural elements	249,403	233,473	6.82	6.52	6.23
Other property damage	240,742	236,735	1.69	6.29	6.32
Aviation TPL	1,514	741	104.32	0.04	0.02
Maritime TPL	3,578	3,562	0.45	0.09	0.10
General TPL	323,257	329,488	(1.89)	8.45	8.79
Credit	57	29	96.55	-	-
Bonds	41,608	37,371	11.34	1.09	1.00
Pecuniary losses	10,060	12,042	(16.46)	0.26	0.32
Legal expenses	9,107	8,999	1.20	0.24	0.24
Assistance	21,673	20,764	4.38	0.57	0.55
<b>TOTAL OTHER NON-LIFE DIVISION</b>	<b>1,326,549</b>	<b>1,311,556</b>	<b>1.14</b>	<b>34.66</b>	<b>35.01</b>
Land vehicles	390,700	411,710	(5.10)	10.21	10.99
Motor TPL	2,100,834	2,012,731	4.38	54.89	53.72
<b>TOTAL MOTOR</b>	<b>2,491,534</b>	<b>2,424,441</b>	<b>2.77</b>	<b>65.10</b>	<b>64.71</b>
<b>TOTAL DIRECT PREMIUMS</b>	<b>3,818,083</b>	<b>3,735,997</b>	<b>2.20</b>	<b>99.77</b>	<b>99.72</b>
INDIRECT PREMIUMS	9,148	10,520	(13.04)	0.24	0.28
of which:					
Italian	2,497	2,379	4.96	0.07	0.06
Overseas	6,651	8,141	(18.30)	0.17	0.22
<b>TOTAL</b>	<b>3,827,231</b>	<b>3,746,517</b>	<b>2.15</b>	<b>100.00</b>	<b>100.00</b>

## CLAIMS PAID AND CLAIMS REPORTED

The claims paid for direct Italian premiums - gross of recoveries from reinsurers - and including the settlement expenses amount to Euro 3,027 million, an increase of 2.9% compared to 2009.

A breakdown of the claims reported and paid on direct Italian business, including the expenses directly attributable to the claim and indirect expenses relating to the settlement structure are shown below:

	Claims paid (in Euro thousands)			Claim reported (*) Number		
	2010	2009	Cge. %	2010	2009	Cge. %
Accident	142,610	139,014	2.59	51,413	54,757	(6.11)
Health	145,299	138,056	5.25	202,385	190,774	6.09
Railway	-	-	-	-	2	(100.00)
Aviation	1,221	7,426	(83.56)	4	2	100.00
Maritime	2,926	4,524	(35.32)	298	365	(18.36)
Merchandise transport	2,643	3,088	(14.41)	1,041	1,397	(25.48)
Fire and other natural elements	145,660	182,552	(20.21)	41,523	46,210	(10.14)
Other property damage	162,398	168,914	(3.86)	100,001	99,429	0.58
Aviation TPL	1,561	8	-	8	5	60.00
Maritime TPL	3,382	1,373	146.35	419	476	(11.97)
General TPL	219,982	208,446	5.53	58,654	60,887	(3.67)
Credit	116	503	(76.94)	1	5	(80.00)
Bonds	28,184	24,488	15.09	1,066	1,035	3.00
Pecuniary losses	2,436	1,508	61.54	1,866	1,357	37.51
Legal expenses	987	1,485	(33.54)	833	918	(9.26)
Assistance	10,089	10,613	(4.94)	56,843	54,323	4.64
<b>TOTAL OTHER NON-LIFE DIVISION</b>	<b>869,494</b>	<b>891,998</b>	<b>(2.52)</b>	<b>516,355</b>	<b>511,942</b>	<b>0.86</b>
Motor TPL	1,874,114	1,743,609	7.48	463,001	483,351	(4.21)
Land vehicles	283,156	304,939	(7.14)	195,403	215,701	(9.41)
<b>TOTAL MOTOR</b>	<b>2,157,270</b>	<b>2,048,548</b>	<b>5.31</b>	<b>658,404</b>	<b>699,052</b>	<b>(5.81)</b>
<b>TOTAL DIRECT PREMIUMS</b>	<b>3,026,764</b>	<b>2,940,546</b>	<b>2.93</b>	<b>1,174,759</b>	<b>1,210,994</b>	<b>(2.99)</b>

(\*) for generation

The Motor TPL Division includes the claims paid for the charges incurred for the management of the claims as “Operator” within the new direct compensation system, net of those recovered as a flat-rate in the CONSAP compensation procedure.

The Motor TPL claims in the table refer to the events in which our policyholders were civilly responsible.

Motor TPL claims reported amounted to 440,808, a decrease of 6.6% on 2009.

## Settlement Time

The speed of the settlements, net of the claims not accepted, for the principal classes relating to the year 2010 is shown below compared to the previous year:

CLASSES – Current year ( <i>Values expressed in %</i> )	2010	2009
Accident	41.12	39.94
Health	84.25	83.29
Land vehicles	89.45	88.13
Fire and other natural elements	75.89	78.92
Other property damage	75.88	73.72
General TPL	52.86	54.88
Others Classes	74.21	71.47
Motor TPL*	77.16	72.84

CLASSES – Previous year ( <i>Values expressed in %</i> )	2010	2009
Accident	57.70	64.08
Health	85.38	86.32
Land vehicles	87.46	91.41
Fire and other natural elements	78.49	84.45
Other property damage	80.49	82.18
General TPL	36.88	39.77
Others Classes	52.25	51.32
Motor TPL*	67.35	69.16

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

Motor TPL – CARD OPERATOR	2010	2009
Current year ( <i>Values expressed in %</i> )		
Motor TPL	81.83	77.57
Previous year ( <i>Values expressed in %</i> )		
Motor TPL	79.42	81.97

## MANAGEMENT EXPENSES

The management expenses of the direct business amounted to Euro 848.7 million with a total increase compared to the previous year of 4.74% (Euro 810.3 million in 2009).

The management expenses are shown in the table below:

(in Euro thousands)	2010	2009	Change %
<b>Direct business</b>			
Commissions and other acquisition expenses	685,589	652,947	5.00
Other administration expenses	163,084	157,355	3.64
<b>Total management expenses</b>	<b>848,673</b>	<b>810,302</b>	<b>4.74</b>

Within the Management Expenses, the personal expenses increased by 2.7% (Euro 91.8 million in 2010 and Euro 89.4 million in 2009).

The total cost of personnel, which includes the amount recorded under settlement expenses, amounts to Euro 152.5 million, an increase of 1.7% on the previous year (Euro 149.9 million in 2009).

## TECHNICAL BALANCES

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

(in Euro thousands)	2010	2009	Change
Motor TPL and Mlf	(106,608)	(132,285)	25,677
Land vehicles	21,467	(17,174)	38,641
Other Non-Life Classes	(135,089)	(145,683)	10,594
<b>TOTAL ITALIAN DIRECT PREMIUMS</b>	<b>(220,230)</b>	<b>(295,142)</b>	<b>74,912</b>

As stated in the introduction, the general technical performance continued to decline:

- The **Motor TPL Class** recorded a particularly negative 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 significantly, with an increase in the average policy premium and a decrease in the frequency. The effects of the actions undertaken, in relation to the increase of the average premium and the reduction in the frequency, will gradually continue to consolidate, following the introduction of the new tariff, the discontinuation of the multi-claim portfolio and of the actions undertaken in relation to agencies with particularly poor performances.

With regard to claims costs, the greater utilisation of the new Physical Injury compensation tables, originally adopted by the Milan Court, will result in an increase in the average claims paid and require a particularly prudent reservation policy.

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- The **Land Vehicle Classes** recovered on the previous period, which reported a particularly negative performance by some accessory guarantees such as vandalism and windshield guarantees, affecting the overall profit margin. Profit levels were assisted by the new guarantee sales methods which offset the claims recorded in relation to certain types of coverage and the adoption of specific compensation forms, particularly in relation to windshield guarantees. The actions undertaken have resulted in a significant decrease in claims reported.
  - In relation to the **Other General Classes**, mixed performances were seen due in part to the difficult economic context which persists. The positive results in the Injury, Legal Protection, Assistance and Bond classes were negated by the still negative performance in the General TPL Class, particularly in relation to the corporate portfolio as well as in the Health Class. In this environment the performance monitoring activities were stepped up, with specific initiatives in the more sensitive business sectors (principally the health area) and in relation to agencies with unsatisfactory performances.

## MOTOR TPL

### Premiums

The increase in the Motor TPL premiums written of 4.38% follows a number of vehicle fleets just recently insured by the Company, without which only a small increase in premiums written would have been recorded. The performance was affected however by the “Bersani” regulatory changes, which strongly reduced the discriminatory power of the “Bonus Malus” system, allowing the new low class policies to be matured in the “household”, and allowing the “Malus” only in case of principal responsibility.

The review process continued of the commercial policies undertaken in relation to conventions and the fleets with particular attention to the recovery of profitability both in the Motor TPL and Land Vehicle classes - of which all of the principal fleets are monitored at least monthly.

The withdrawal from the multi-claim portfolio also continued along with the containment of discounts afforded to clients.

The situation continues to be affected by the significant decrease in car registrations of 9.2% compared to 2009, with a sharper reduction of 25% in the April-December period, due to the discontinuation of government incentives and the continued internal demand crisis.

The new Motor TPL tariff, implemented from October, only partly impacted upon the premiums in portfolio. The new tariff has the objective to strengthen both the portfolio and profit levels. This strategy has therefore reduced the tariff mutuality, taking into account regulatory changes (“Bersani” and Direct Indemnity) and competitive dynamics, focusing the analysis on the client risk.

In particular the tariff focuses on the vehicle, to take account of the cost of the repairs of the vehicle for the clients, but also increasing the options available through the technical characteristics. In addition the range of tariff factors related to the age and geographic area was extended, identifying in even greater detail the niche profit markets. Finally greater value is given to the information reported on the expected risk.

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The Life technical balance was negative at year-end, in part due to the high and extensive personal damage claims following the greater frequency of this type of claim in the southern regions and also due to the new judicial rulings on settlement for physical injury claims.

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.

## **Claims**

The number of claims reported in the year in which our policyholders were civilly responsible was 463,420, -4.2% compared to 2009. There was a decrease in the number of claims paid to 429,796 (-2.0%). Overall, there was a decrease in the cost of the current generation which amounted to Euro 1,569 million (-6.67%).

Relating only to the claims managed, the number of claims reported was 440,808, a decrease (-6.6%) on 2009, while the number of claims paid decreased slightly to 424,830 (-0.2%).

The average cost of the payments for managed claims increased by 2.4% for the current generation and 8.6% for the previous generations, with an overall increase of 8.1%.

The average costs of the reserve incurred an increase for the current year (14.4%) and a decrease for previous years (-5.5%).

The claims/premiums ratio, net of the Guarantee Fund for Road Victims, is 74.48% for the current year and 84.94% at global level. The speed of settlement of the claims managed (No Card Claim + Operator Card Claims) was 77.2% for the claims in 2010 and 67.3% for the claims in previous years. The same indicator relating to claims caused was 73.8% for the year and 67.9% for previous years.

The combined ratio was 105.1%.

The table below shows the situation of the claims still open at December 31, 2010 for Fondiaria-SAI, compared with the claims reported and the situation relating to the Operator Card.

Generation	Reported*	No. of Claims open	% on reported claims
2000	613,255	605	0.10
2001	589,850	885	0.15
2002	578,220	1,429	0.25
2003	539,448	1,985	0.37
2004	513,105	2,276	0.44
2005	503,957	2,987	0.59
2006	495,470	4,825	0.97
2007	492,136	6,429	1.31
2008	483,281	13,563	2.81
2009	483,827	28,183	5.83
2010	460,248	106,476	23.13

(\*) Excluding the Mandatory CID reported from 1/2/2007 with the introduction of the direct compensation, the claims caused were considered (No Card + Card Debtor)

#### Card management from 1/2/2007

Generation	Claims Reported	No. of Claims open	% on reported claims
2007	244,276	1,482	0.61
2008	305,196	5,040	1.65
2009	362,667	13,243	3.65
2010	338,909	56,536	16.68

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## LAND VEHICLES

Premiums recorded in the Land Vehicle classes contracted once again (-5.1%) due to the ongoing demand crisis which continues to affect the uptake of Land Vehicle associated guarantees, while also due to the lower contribution of agreements with vehicle manufacturers, both due to a number of non renewals and the significant decrease in vehicles sold. A number of actions are programmed for 2011, developed together with the Marketing Department, to tackle this situation.

The premiums amount to Euro 391 million, a decrease of 5.1% on 2009.

The claims reported in 2010 amounted to 195,403, a decrease of 9.4% compared to the previous year.

There was also a decrease in the number of claims paid to 189,310 (-6.8%).

The cost of the claims of the current generation amounts to Euro 280.4 million, a decrease of 12.5% compared to 2009.

The speed of settlements, net of the claims eliminated without further process, amounted to 89.45% for the current generation claims (88.13% in 2009) and 87.46% for the claims of previous years (91.41% in 2009).

The claims/premiums ratio for the year was 70.25%, while the global total was 69.61%.

The combined ratio was 94.6%.

## OTHER NON-LIFE CLASSES

The Italian direct premiums written amount to Euro 1,326 million - an increase on 2009 of 1.1%.

There was an increase on 2009 in the number of claims reported (0.9%), while the number of claims paid decreased (-2.5%).

The generation cost of the current year increased compared to 2009 (+1.2%).

A large number of new initiatives and activities were undertaken in 2010. In particular:

In February, the new policy RetailPiù Fabbricati Commerciali (business protection) was launched. The product completes the RetailPiù Commercio Classic line and offers extensive insurance coverage to protect the interests of property owners who have rented their premises to third parties. The product covers two aspects - Fire and other damage and Civil Responsibility.

In June, the “Hunting” product was reviewed to incorporate the insurance coverage obligations for hunters established by Law No. 157, Article 12 of February 11, 1992.

In December, the Assistance Omnia policy was launched, a stand-alone product available for the General Classes, with the provision of an assistance guarantee in different forms to either protect property or the person. This provides a quick and efficient response to the individual needs of clients, in addition to managing the specific assistance requests from clients.



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Other interesting initiatives included:

The introduction of a new discounting mechanism called the “objective average discount” in order to ensure compliance with the tariff risk profile and to improve profitability - which has been monitored over the year.

A related Serious Invalidity bonus has been established for the “La Mia Assicurazione Infortuni” (injury) line and for “Famiglia protetta” (family protection), which establishes an additional capital payment for more serious permanent invalidity (P.I. > 60%).

New indexing of the “SAI Driver Auto” product, which allows the raising of the insured sums and the relative premium policies by 20%, 30% or 40%.

Two additional guarantees – Fire and Theft - for the “Retail Più Casa Classic” product, extending the guarantees and therefore further personalising the product.

With reference to the individual Classes:

## **Accident**

In the Corporate area of this sector, a specific analysis was made which identified the methods necessary to improve profitability within the Division.

Five separate actions were identified, following agreement of the content and the manner of implementation between the Marketing Department of the Company and the Technical Assistance structures.

The initiatives, among other matters, relate to particularly poorly performing contracts (both directly managed and delegated), on poorly performing agencies, to the restyling of the Corporate Injury product with computerised issue and control and on policies which have seen particularly large claims.

In the second part of the year, given the need to amend from December 1 the contractual conditions in accordance with ISVAP Regulation No. 35, the new product catalogue for the Corporate Injury sector was drawn up.

The unified cumulative injury product was created for all Company divisions.

Premiums written in the Large Business sector decreased (-27.3%) and the Claims/Premium ratio amounted to 82%, in line with the previous year.

Premiums in the Public Body sector increased by 17.3% (largely relating to the reform of the CAI policy), with a Claims/Premiums ratio of 106%, an improvement on the previous year (135%).

In recent months a specific Work Group was created to amend procedures to ensure compliance with the new Legislative Decree No. 136 (traceability of payments), with the completion of activities scheduled by the end of the first half of 2011, in line with the temporary provisions of the new regulation.

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In December the Retail Più Infortuni Classic product became available, a new accident product. The policy is broken down into seven guarantees (death, permanent invalidity below 50%, permanent invalidity equal to or above 50%, repayment of care expenses, daily indemnity for recovery and convalescence, daily indemnity for fractures in plaster, temporary invalidity) and two special packages (Minor special guarantees and Security special guarantees).

Overall:

The premiums amounted to Euro 238.5 million (-3.62% on 2009).

The number of pro-rata claims reported in the year amounted to 51,413 (-6.11% on the previous year); the number of claims paid amounted to 37,572, a decrease (-4.12% compared to 2009).

The slight increase on 2009 of the costs of claims of the generation amounting to Euro 148.3 million (+1.45%) is highlighted.

The claims/premiums ratio for the year was good (60.75%), as was the overall level (61.84%).

The technical balance of the Division was positive, significantly increasing on 2009.

The Class recorded a combined ratio of 92.9%, a slight decrease compared with the previous year.

Overall the technical reserves represent 110% of the premiums for the year.

## **Health**

The premiums amounted to Euro 173.8 million, an increase of 3.88%.

The pro-rata claims reported amounted to 202,385, an increase of 6.1%.

The number of claims paid amounted to 178,822, an increase of 7.5% on 2009.

The cost of the current generation of claims amounted to Euro 133.5 million, a decrease of 1.3% compared to the previous year.

The technical balance remained negative at Euro 37,610.

The combined ratio for the Class was 121.8%.

## **Fire and other natural events**

Following the earthquake of 2009, and involving the various company departments, the underwriting method was restructured in order to incorporate the risks relating to natural disasters, identifying more modern methods which include the use of statistics from the National Geophysical and Vulcanology Institute, replacing the previous method which was based on the now outdated ANIA statistical tables.

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, with the activity completed in the first quarter of the year and involving various corporate departments for immediate alignment with the new criteria.

A specific analysis was carried out for the Corporate sector, in order to identify strategies for improving Division profitability.

Four separate actions were identified, following agreement of the content and the manner of implementation between the Marketing Department of the Company and the Technical Assistance structures.

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The initiatives, among other matters, relate to particularly poorly performing contracts (both directly managed and delegated), poorly performing agencies and particularly large claims.

In the second part of the year, given the need to amend from December 1 the contractual conditions in accordance with ISVAP Regulation No. 35, the new product catalogue for the Corporate Fire sector was drawn up.

Therefore in a short time period, the high-use unified products for all Company divisions were created, including: Industrial Risks, Civil and Agricultural Risks, All Risks Property.

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

In recent months a specific Work Group was created to alter procedures to ensure compliance with the new Legislative Decree No. 136/2010 (traceability of payments), with the completion of activities scheduled by the end of the first half of 2011, in line with the temporary provisions of the new regulation.

The Large Business sector recorded a much sharper increase in premiums for the Fondiaria division (36.7%) and attributable entirely to the agency channel, with a contained contraction in the number of contracts, but with a very strong technical result (Claims/Premiums ratio of 21%).

Premiums recorded in the Public Bodies sector increased by over 49% on the same period of the previous year (particularly relating to a number of utilities contracts), with a stronger contribution from the SAI division - through the broker channel - while the increase for the Fondiaria division related entirely to the agency channel.

The technical performance remained negative, although improving significantly on the previous year and including a particularly serious climate event claim (ATM Milano) of a value of Euro 7,500,000, which accounted for approx. 1/3 of the loss.

Overall:

The premiums amounted to Euro 249.4 million, an increase on 2009 (+6.8%).

The pro-rata claims reported were 41,523, a decrease of 10.14%.

The number of claims paid of 34,428 decreased by 17.32%.

The technical balance of the Division was again negative this year, although improving on the previous year. The combined ratio for 2010 was 107.5%.

The technical reserves of the class represent 153.6% of the premiums for the year.

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## **Maritime and transported goods**

In the transported goods sector, the number of premiums increased, countering the market trend: although industrial production was sluggish (with reduced demand and a decline in sector revenues), premiums increased by approx. Euro 1 million.

The “Direct business technical account” result remained very strong thanks to a very prudent underwriting policy which resulted in a significant reduction in claims and particularly a considerable decline in the number of transported goods theft claims.

In the Hulls sector (principally comprising the pleasure boat sector) premiums decreased following the undertaking of a much more selective underwriting policy: policies were substantially undertaken by 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 frequency decreased, however the direct business technical account remains unsatisfactory: the negative performance is principally due to a claim concerning the total loss of a boat following a fire.

## **Other property damage**

Also in the Corporate area of this sector, a specific analysis was made which identified the methods necessary to improve profitability within the Division.

Four separate actions were identified, following agreement of the content and the manner of implementation between the Marketing Department of the Company and the Technical Assistance structures.

The initiatives, among other matters, relate to particularly poorly performing contracts (both directly managed and delegated), poorly performing agencies and particularly large claims.

In the second part of the year, given the need to amend from December 1 the contractual conditions in accordance with ISVAP Regulation No. 35, the new product catalogue for the Corporate Theft sector was drawn up.

Therefore in a short time period, the high-use unified products for all Company divisions were created, including: Theft and Fire, Store Theft, All Inclusive Jewellers and BBB for Credit Institutions.

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

### **Theft Risk (“Public Bodies” and “Large Businesses”).**

Theft premiums in the Large Businesses sector decreased significantly (-33.5%), principally as a result of the non-renewal of a BBB contract within the SAI division (Bca Pop. Milano).

The Claims/Premiums ratio remained positive in the year (53.8%).

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The premiums recorded in the Public Bodies sector increased by 15.9%, entirely attributable to the Fondiaria division, with a Claims/Premiums ratio of 55.8%.

In recent months a specific Work Group was created to alter procedures to ensure compliance with the new Legislative Decree No. 136/2010 (traceability of payments), with the completion of activities scheduled by the end of the first half of 2011, in line with the temporary provisions of the new regulation.

### **Hailstorm Risk**

Hailstorm class premiums decreased by 14% 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 (46%) improved on 2009 (52%) and in comparison to the market in general (95%).

Total premiums amounted to Euro 240.7 million, an increase of 1.69%.

The pro-rata reported 100,011 claims (+0.59%).

The number of claims paid amounted to 86,758, an increase of 2.65% compared to 2009.

Generation costs amounting to Euro 173 million decreased on 2009 (-1.99%).

The current claims/premiums ratio for the year was 70.3%, while overall amounting to 67%.

The class reported a combined ratio of 98%.

The percentage of the technical reserves on the premiums amounted to 107.2%.

The technical balance was positive at Euro 3,971 .

### **General TPL**

Meetings with some agencies were also organised during the year in both divisions, in order to present and to expand upon the themes related to Pollution coverage.

A specific analysis was carried out for the Corporate sector, in order to identify strategies for improving Division profitability.

Six separate actions were identified, following agreement of the content and the manner of implementation between the Marketing Department of the Company and the Technical Assistance structures.

The initiatives, among other matters, relate to particularly poorly performing contracts (both directly managed and delegated), on poorly performing agencies, on the more sensitive sectors (in particular Health), on the restyling of some products (Building TPL, Industrial Businesses TPL) with computerised issue and control and on policies which have seen particularly large claims.

In the second part of the year, given the need to amend from December 1 the contractual conditions in accordance with ISVAP Regulation No. 35, the new product catalogue for the Corporate TPL sector was drawn up.

Therefore in a short time period, the high-use unified products for all Company divisions were created, including: Industrial Businesses TPL, Business Building TPL, Various TPL, Products TPL, Product Withdrawal TPL, Board of Directors TPL, Membership Body TPL, Premises Pollution TPL, Loading/Unloading TPL.

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

Premiums in the Large Business sector decreased significantly (-48.4%), although comprising only a small amount of total volumes.

The Claims/Premiums ratio was negative at 111%, however improving on the previous year (144%).

Premiums in the Public Bodies sector increased by 8% for both divisions, due in particular to the reform of a series of policies.

The number of contracts in portfolio decreased.

The monitoring activity was fully launched for the contracts in this sector to keep under strict observation as well as the technical performances, also the correct execution of the contract, with reference to all of the components, providing at the same time actions for reform whenever considered necessary. The Claims/Premiums ratio deteriorated (138%) on the previous year, in part due to a significant increase in natural event claims.

A particular focus was placed on contracts in the health sector, implementing reform actions where necessary, and further reducing therefore the number of risks in portfolio.

A study was carried out in the year relating to the problems concerning the recovery of thresholds which identified the need to incorporate a new structure which became operative from January 2011.

In recent months a specific Work Group was created to amend procedures to ensure compliance with the new Legislative Decree No. 136 (traceability of payments), with the completion of activities scheduled by the end of the first half of 2011, in line with the temporary provisions of the new regulation.

Overall:

The premiums amounted to Euro 323.3 million (-1.89%).

The pro-rata reported 58,654 claims (-3.7%).

The number of claims paid, amounting to 38,384 decreased by 5.4% compared to 2009.

The cost of current year claims amounted to Euro 334.3 million, an increase on the previous year (+21%); this increase is principally due to higher reserves for late claims in the current year.

The claims/premiums ratio for the year was 105.8%, while the global was 106.7%.

The combined ratio for 2010 was 139%.

Overall, the ratio between the technical reserves and the premiums was 423%.

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## Bonds

In 2010, the Bond Class returned extremely strong results, despite the domestic economic environment continuing to be affected by the crisis which had significant impacts on some product sectors.

Although the number of contracts written decreased, the premium volume overall increased by 11.3%, which in absolute values amounted to Euro 4.2 million.

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 was reported both in the Agency distribution channel and the Broker channel. Following a renewed focus on relations with Brokers, the improvement was greater in this channel, and through which our Company has now established a leading position in the Bond Class.

In relation to profitability, although the small claims frequency increased, directly as a result of the continuation of the difficult economic situation, the Claims/Premiums ratio improved from 50.0% in 2009 to 25% in 2010. The technical balance was positive at Euro 14.5 million.

In relation to the underwriting policies chosen, taking account of the likely continuation of the effects of the 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.

There was an increase in both the payments and claims reported and a decrease on the previous year in relation to the current generation costs which amounted to Euro 27.2 million (-3.6%).

From a profitability viewpoint, the year just ended also recorded a good Claims/Premiums ratio (62.3%) while the global ratio amounts were 25.3%.

The combined ratio for the class was 61%.

The ratio between the technical reserves and the premiums was 314%.

The year recorded a positive technical balance, in line with the previous year.

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## NON-LIFE REINSURANCE

### Outward Reinsurance 2010

The entire reinsurance structure of the Company is based on proportional cover and excess cover and non-proportional coverage in claim excess.

Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation, Assistance and Hailstorm Classes.

For the Bond and Aviation Classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.

The net retention of the Technological Risks, with the exception of those relating to the Ten Year Guarantee, are protected on a non-proportional base individually by risk and jointly with the Fire and Land Vehicle classes on the occurrence of an event: this latter has only this specific coverage; a protection for risk is planned also for the Electronic and IT sectors.

The non-proportional programmes are the only instruments utilised to protect the Fire, Injury, Motor TPL, Theft and General TPL classes, although only a marginal part of this latter is protected in a proportional manner.

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

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

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

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

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

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



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

The reinsurance structure reported has proven to be adequate for the requirements of the Company, and therefore continue to be in line with that of the previous years.

The premiums ceded in the year amounted to Euro 132,883 thousand, compared to Euro 155,633 thousand in the previous year.

A decrease was recorded on the previous year, principally due to the increasing of the non-proportional limits of the Motor TPL Class.

The result is in line with forecasts in that no significant reinsurance recoveries were made.

### **Inward Reinsurance 2010**

At 31/12/2010, this includes all the optional business and the acceptances by the insurance companies of the Group and at 31/12/2009 for all the other types of agreements. A small loss was reported (Euro 233 thousand). The only inward reinsurance portfolio of the group in pure run-off recorded a loss (Euro 2,816 thousand) which was offset by the profit (Euro 2,583 thousand) from the inward reinsurance portfolio of the group companies.

The premiums accepted in the period amounted to Euro 9,148 thousand, a small decrease compared to the previous year.

### **NON-LIFE INSURANCE LITIGATION**

The cases (Motor and Non Motor) closed in 2010 amounted to 22,988, an increase of 8.24% compared to 2009. 83.82% are within the Motor TPL division (85.66% in 2009).

There was an increase of 2.45% for the amount of the legal expenses paid, equal to Euro 70,303 thousand (Euro 68,620 thousand in 2009).

The claims in litigation at 31/12/2010 were 51,247 cases (+9.01% compared to the previous year).

The Motor TPL civil cases pending at 31/12/2010 totalled 38,617 compared to 35,120 at 31/12/2008, an increase of 9.96%.

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## **Life and Pension Funds**

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## THE LIFE INSURANCE MARKET

In 2010, total premiums in the Life Division increased by 22.9% (Euro 69.1 billion), accounting for 73.4% of the entire Non-Life and Life portfolio (68.6% in 2009).

In particular, Class I (Insurance on human life) with Euro 51.9 billion recorded an increase of 15.8% on the same period of 2009; Class III (Insurance principally related to mutual funds or Internal Funds or indices or other benchmark values) with approx. Euro 12 billion grew by 84% on the first nine months of 2009, and Class V (Securitisation operations) increased 3.5% (Euro 3.8 billion). These Classes impact on the total Life premiums respectively for 75.1%, 17.4% and 5.5% (respectively 79.7%, 11.6% and 6.6% in the same period of 2009). In relation to the remaining Classes, the premiums of Class VI (pension funds with approx. Euro 1.3 billion) accounts for 1.9% of Life premiums (same as the first nine months of 2009).

Premiums written through bank and postal branches accounted for 63.1% of the Life portfolio (61.2% in 2009). These were followed by the financial promoters (15.3% compared to 14.3% in the first nine months of 2009), mandated agents (13% compared to 14.2% in the first nine months of 2009), in-house agents (7.2% compared to 9.1% in the first nine months of 2009), brokers (0.9% compared to 0.8% in the first nine months of 2009) and the other forms of direct sales (0.5% compared to 0.4% in the same period in 2009).

In December, the data of ANIA in relation to new Life business highlighted that the financial promoter channel sold a total of Euro 735 million of new policies (17% of the entire new business of the Italian and non-EU companies), more than halving on the same month of the previous year.

Class I policies contracted 60.0% compared to December 2009 against total premiums of Euro 580 million; including this latter month, in 2010 business volumes amounted to Euro 8.2 billion, a decrease of 10.3% on 2009. In December, Class V policies amounted to Euro 8.9 million (Euro 1.5 million in the same month of 2009), while since the beginning of the year new business has more than doubled to Euro 37 million. The new policies concerned linked products, exclusively of the unit type, totalled Euro 143 million, halving on December 2009. In 2010, premiums reached Euro 1.7 billion, an increase of 49.8% on 2009.

In December the new premiums/contributions relating to individual pension products, the majority of which referring to IPP policies, amounted to Euro 19.4 million, a drop of 13.6% on the same month of 2009.

New business almost entirely concerns single premium contracts (96%).

Agents recorded increased premiums of 12.3% on December of the previous year, on volumes of Euro 1.6 billion (approx. 36% of the entire business of the Italian and non-EU companies).

The bank and postal channels recorded new policies of Euro 2.0 billion (47% of overall new business), decreasing 30.5% on December 2009.

## PREMIUMS

Overall, the premiums written amounted to Euro 1,236 million compared to Euro 1,067 million in 2009, an increase of 15.80%.

The direct premiums written amount to Euro 1,231 million, an increase of 15.95% and broken down as follows:

(in Euro thousands)	2010	2009	Cge %	Percentage 2010	2009
<b><u>DIRECT PREMIUMS</u></b>					
II – Insurance on human life expectancy	911,572	761,132	19.77	73.78	71.33
III – Insurance related to investment funds	8,441	14,275	(40.87)	0.68	1.34
IV - Health insurance	232	375	(38.13)	0.02	0.04
V – Securitisation operations	281,742	258,939	8.81	22.80	24.27
VI – Management operations of pension funds	29,124	27,045	7.69	2.36	2.53
<b>TOTAL LIFE DIVISION</b>	<b>1,231,111</b>	<b>1,061,766</b>	<b>15.95</b>	<b>99.64</b>	<b>99.51</b>
<b><u>INDIRECT PREMIUMS</u></b>	4,419	5,192	(14.89)	0.36	0.49
of which:					
Italian	4,330	5,069	(14.58)	0.35	0.48
Overseas	89	123	(27.64)	0.01	0.01
<b>TOTAL</b>	<b>1,235,530</b>	<b>1,066,958</b>	<b>15.80</b>	<b>100.00</b>	<b>100.00</b>

The premiums of direct Italian business are broken down as follows:

(in Euro thousands)	2010	2009	Cge %	Percentage 2010	2009
Individual	763,740	649,154	17.65	62.04	61.14
Collective	438,247	385,567	13.66	35.60	36.31
Open Pension funds	29,124	27,045	7.69	2.37	2.55
<b>TOTAL</b>	<b>1,231,111</b>	<b>1,061,766</b>	<b>15.95</b>	<b>100.00</b>	<b>100.00</b>

Also in 2010, Class I products represented the type of cover appreciated greatest by clients, focused on products with a minimum guaranteed yield and the protection of the investment.

## AMOUNTS PAID AND RELATIVE CHARGES

The settlements of direct business amounted to Euro 1,145 million including the change in the reserves for sums to pay.

During the year, capital on maturity and annuity payments were made of Euro 631.7 million (Euro 537.2 million in 2009). Compared to the previous year (Euro 1,078.2 million), there was an increase of 6.2%.

### Direct Business

(in Euro thousands)	2010	2009	Change %
<b>CLASS I</b>			
Claims	30,967	28,338	9.3
Capital and annuity matured	439,477	414,773	6.0
Redemptions	294,985	277,906	6.1
Total	765,429	721,017	6.2
Change Reserve	16,710	(21,577)	-
<b>TOTAL</b>	<b>782,139</b>	<b>699,440</b>	<b>11.8</b>
<b>CLASS III</b>			
Claims	1,679	1,326	26.6
Capital and annuity matured	116,351	69,856	66.6
Redemptions	14,591	9,676	50.8
Total	132,621	80,858	64.0
Change Reserve	3,709	6,490	(42.8)
<b>TOTAL</b>	<b>136,330</b>	<b>87,348</b>	<b>56.1</b>
<b>CLASS IV</b>			
Claims	-	-	-
Capital and annuity matured	49	34	43.8
Redemptions	-	-	-
Total	49	34	43.8
Change Reserve	-	-	-
<b>TOTAL</b>	<b>49</b>	<b>34</b>	<b>43.8</b>
<b>CLASS V</b>			
Claims	522	2,625	(80.1)
Capital and annuity matured	71,933	51,460	39.8
Redemptions	147,421	231,754	(36.4)
Total	219,876	285,839	(23.1)
Change Reserve	(3,842)	(3,600)	-
<b>TOTAL</b>	<b>216,034</b>	<b>282,239</b>	<b>(23.5)</b>
<b>CLASS VI</b>			
Claims	187	382	(51.0)
Capital and annuity matured	3,880	1,055	267.8
Redemptions	5,038	6,737	(25.2)
Total	9,106	8,174	11.4
Change Reserve	1,256	950	32.2
<b>TOTAL</b>	<b>10,362</b>	<b>9,124</b>	<b>13.6</b>
<b>TOTAL LIFE BUSINESS</b>			
Claims	33,356	32,671	2.1
Capital and annuity matured	631,689	537,178	17.6
Redemptions	462,035	526,073	(12.2)
Total	1,127,080	1,095,922	2.8
Change Reserve	17,833	(17,737)	-
<b>TOTAL</b>	<b>1,144,913</b>	<b>1,078,185</b>	<b>6.2</b>

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## MANAGEMENT EXPENSES

The management expenses of the direct business amount to Euro 67.9 million, substantially in line with the previous year (Euro 67.8 million in 2009).

This performance was due to the containment of overhead costs as shown in the table below:

(in Euro thousands)	2010	2009	Change %
<b>Direct business</b>			
Commissions and other acquisition expenses	33,845	32,303	4.77
Other administration expenses	34,064	35,494	(4.03)
<b>Total management expenses</b>	<b>67,909</b>	<b>67,797</b>	<b>0.17</b>

Within the Management Expenses, the personnel expenses recorded a decrease of 8.3% (Euro 18.2 million in 2010 and Euro 19.8 million in 2009).

## TECHNICAL PERFORMANCE

### Individual Insurance

In 2010, the Individual Life policies underwritten by the distribution network was primarily focussed on the products related to Separated Management, as characterised by minimum guaranteed returns and capital protection:

- for the single premium form (in April, a restyling of OPEN FREE was introduced, with a lowering of the minimum single premium threshold), with particular attention focussed on the Clients with life contracts maturing;
- for the recurring premiums (in March the new OPEN GOLD product was launched and the restyling of the OPEN RISPARMIO) which recorded a significant increase in new business;
- for the constant annual premium (particularly positive results for OPEN PIÙ, the product dedicated to young persons OPEN BRAVO, launched in 2009 and the OPEN ASSICURATO product, a new Mixed product launched in Q4 2009).

As described, during the year:

- the new OPEN GOLD product was launched, a recurring premium without proportional loading on entry, which has been particularly successful with the distribution networks;
- restyling took place of OPEN FREE, which thanks to the previously mentioned new features appeals to a larger client base, of OPEN RISPARMIO, with a substantial decrease in the loading, and of the unit-linked - UNIT INVESTIMENTO and UNIT RISPARMIO products – which were remodelled following the enacting of the new CONSOB regulation;
- in December, following the entry into force of ISVAP Regulation No. 35, the entire range of products was revised in line with the new regulation.

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The DEDICATA policy (Term Life) introduced in 2008 with differentiation for policyholders' smoking habits recorded growth in the annual premium form.

In relation to the products offered in the Complementary Pension segment, implemented through the Individual Pension Plans, there was a small increase in new business on the previous year.

## **Collective Insurance**

In 2010, the “corporate” segment continued to be affected by the poor employment situation. This has inevitably affected revenues from insurance coverage, which although concerning a different economic-tariff profile are directly related to the number of subscribers (primarily employees) and their relative salary.

Despite the economic situation outlined above, the sector overall has shown a certain robustness and some segments have shown signs of recovery.

The complementary pension sector has continued its activity in the “pre-existing” pension funds delivering results in line with forecasts, thanks to operations undertaken in general to encourage a higher amount of contributions from existing clients and specifically also the acquisition of new clients.

Open Pension Funds created by the Company also continued to attract new subscribers, maintaining a degree of inflow stability with the previous year; it is believed this trend will continue thanks also to instruments assisted by result guarantees.

In relation to the products connected to post-employment benefits – which have been clearly affected on the one hand by the economic situation and on the other by the new regulations (allocation of post-employment benefits to complementary pension forms rather than to INPS Treasury Fund for businesses with over 50 workers) – in the latter part of the year positive signs were shown with stability in contributions over the course of the year as a whole, against a contracting trend over recent years.

The securitisation products, broadened with the introduction of new products (mixed special), are of interest once again thanks to the reduced advanced redemptions and the recovery of new inflows from existing and new subscribers. The renewed interest in insurance instruments was confirmed, although with a distribution policy based on containing the level of guarantees offered and increasing those of higher profitability for the Company.

The risk coverage sector showed positive signs in relation to distribution thanks to the personalisation of the offer for policyholders under collective contracts and also the acquisition of some important new clients. The results overall however did not entirely live up to their potential.

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.



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## **LIFE REINSURANCE**

### **Outward Reinsurance 2010**

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

The Lawrence Re then cedes the above-mentioned proportional agreement utilising an integrated programme between protection in claim excess and excess loss.

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

The premiums ceded in the year amounted to Euro 13,906 thousand, a slight decrease compared to Euro 14,538 thousand in the previous year. The result reflects the type of the class and is in line with the previous year.

### **Inward Reinsurance 2010**

The year 2010 includes the business accepted from companies of the Group and in 2009 for those accepted outside of the Group. The premium volumes amounted to Euro 4,419 thousand, a slight decrease compared to Euro 5,192 thousand in 2009. Some agreements ceased as acceptances by companies of the Group continue to produce effects in the accounts.

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

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# **Asset and financial management**

## INVESTMENTS AND LIQUIDITY

At December 31, 2010, the volume of investments amounted to Euro 15,338.6 million compared to Euro 15,582 million in the previous year, a decrease of 1.6%.

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

(in Euro thousands)	31/12/2010	Composition %	31/12/2009	Composition %	Change %
- Property	1,157,612	7.40	1,163,758	7.31	(0.53)
- Bonds and other fixed income securities	9,010,250	57.65	8,286,151	52.07	8.74
- Equity Investments	4,438,516	28.39	5,212,981	32.75	(14.86)
- Mutual funds	638,398	4.08	727,958	4.57	(12.30)
- Loans	36,298	0.23	39,386	0.25	(7.84)
- Deposits at Credit Institutions	626	-	544	-	15.06
- Deposits with reinsuring companies	56,826	0.36	61,689	0.39	(7.88)
- Other financial investments	87	-	89,531	0.56	(99.90)
<b>Total investments</b>	<b>15,338,613</b>	<b>98.11</b>	<b>15,581,998</b>	<b>97.90</b>	<b>(1.56)</b>
- Cash and cash equivalents (1)	295,699	1.89	333,450	2.10	(11.32)
<b>TOTAL</b>	<b>15,634,312</b>	<b>100.00</b>	<b>15,915,448</b>	<b>100.00</b>	<b>(1.77)</b>

(1) includes the amounts of class F of assets

The composition of Investments was affected by the merger by incorporation operations regarding the subsidiaries Italiberia and Systema Vita.

Against the cancelation of the book values of the respective investments for approx. Euro 135 million, underlying investments were recognised, principally comprising debt securities, for Euro 199 million.

The total volume of investments incurred over Euro 588 million of net impairments.

Also included is the reduction of Euro 180.4 million following the repayment on 27/09/2010 of the Mandatory Sainernational through 44 million Intesa Sanpaolo shares owned by the Company.

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

## CLASS D INVESTMENTS

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

(in Euro thousands)	31/12/2010	Composition %	31/12/2009	Composition %
- Fixed income securities	246,226	56.6	303,665	58.7
- Shares and units	167,717	38.6	195,803	37.9
- Cash and cash equivalents	17,786	4.1	12,198	2.4
- Other assets	3,037	0.7	5,656	1.1
<b>TOTAL</b>	<b>434,766</b>	<b>100.0</b>	<b>517,322</b>	<b>100.0</b>

The decrease in class D investments is principally due to the repayments made and the sale of securities in portfolio.

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

## INVESTMENT INCOME

(in Euro thousands)	2010	2009	Change
Income from shares and quotas	27,628	110,495	(82,867)
Income from land and buildings	48,465	50,223	(1,758)
Income from other investments	379,139	386,483	(7,344)
<b>Gross total income</b>	<b>455,232</b>	<b>547,201</b>	<b>(91,969)</b>
<b>Management charges</b>	<b>66,254</b>	<b>60,383</b>	<b>5,871</b>
<b>Total net income</b>	<b>388,978</b>	<b>486,818</b>	<b>(97,840)</b>
Net income realised on land and buildings	6,429	116,157	(109,728)
Net income from assets and current investments	69,117	125,042	(55,925)
Net income from other investments	65,815	(29,748)	95,563
<b>Total net realisable income</b>	<b>141,361</b>	<b>211,451</b>	<b>(70,090)</b>
<b>Net write-down/(write-back) in values on:</b>	<b>(587,725)</b>	<b>48,077</b>	<b>(635,802)</b>
<i>Bonds</i>	<i>(151,656)</i>	<i>103,569</i>	<i>(255,225)</i>
<i>Shares and funds</i>	<i>(418,555)</i>	<i>(54,127)</i>	<i>(364,428)</i>
<i>Property</i>	<i>(17,514)</i>	<i>(1,365)</i>	<i>(16,149)</i>
<b>TOTAL</b>	<b>(57,386)</b>	<b>746,346</b>	<b>(803,732)</b>

The decrease in income from shares and holdings on 2009 is due to the absence of a dividend from the subsidiary Milano, as well as a reduced contribution from other minor subsidiaries.

The decrease in the account “net income from assets and current investments” on 2009 is due to the lower gains realised on hedging options on equity securities.

In fact, following the maturity of some of the options to hedge some non-current equities, the Company realised in the current segment gains of approx. Euro 4 million (Euro 65 million in 2009).

The account also includes Euro 14 million relating to the sale of government bonds, Euro 23 million relating to the sale of corporate bonds and Euro 23 million relating to the sale of listed shares.

The increase in the account “Net income from other non-current investments” of Euro 96 million includes gains on non-current securities, securities which constituted the underlying securities of the above-mentioned options for Euro 18 million.

The account also includes Euro 31 million relating to the sale of the subsidiary Banca Gesfid and Euro 17 million relating to the sale of government bonds.

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## FINANCIAL MANAGEMENT

### Market performances

2010 featured a crisis within the Eurozone, in particular in countries such as Greece, Ireland and Portugal, following the increased sovereign risk related to the sustainability of public deficits. From May 2010, in addition to the approval of the three-year plan in favour of Greece, a European Stability Fund was also created with a value of Euro 440 billion, in addition to a purchase plan for government securities by the European Central Bank.

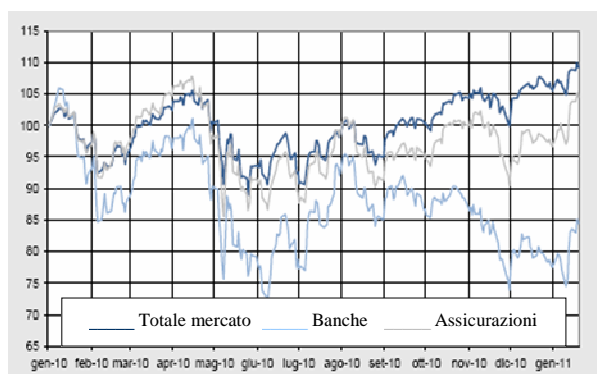
In the United States, an expansive monetary policy is still in place which, due to the Fed Funds level nearing zero, requires the Federal Reserve to support the American public debt in order to combat any risk of deflation emerging, and at the same time, further stimulating investments and private consumption, also as a result of the level of unemployment (approx. 10%) not supporting the dual mandate objectives of the US Monetary Authorities of maximum growth in conditions of monetary stability. In relation to the fiscal policy, an agreement was made with Congress in order to maintain also for 2011 the tax cuts established by the previous administration, stimulating therefore further growth, however with a Debt/GDP ratio close to 10% and a spiralling public debt.

In this situation, Fondiaria-SAI will continue to remain highly attentive to sovereign risk in relation to its investment choices, while the commonly held view is that market rates should increase in 2011 to levels more in line with a general economic situation of solid growth, with inflation not exceeding that contemplated by the Monetary Authorities.

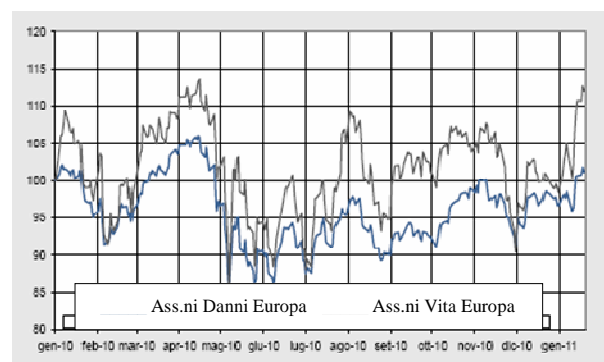
Exchange rates must also be closely monitored, considering the possible timelines for an “exit strategy” and for the first rise in official rates between the various areas.

Similar attention will be focussed on investments in the corporate sector, although with a more dynamic focus, in part due to a more idiosyncratic rather than systemic approach to risk, and in part due to the undoubted position of the Asset Class as among the best performing in 2010, monitoring however a potential increase in market rates which may generate capital losses.

**Graph 6 – Eurozone Sector Indices**



**Graph 7 - Listed European companies**



Source: Thomson Reuters, Datastream (1/1/2010=100) and ANIA Trends January 2011

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Allocation by “country risk” has been considered a more prudent delineation compared to classic sector choices. One needs only to consider that within the Eurozone alone, Germany 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.

## Financial activities

At an operational level, considering that the stock market from the beginning of the year recorded unsustainable growth, Fondiaria-SAI introduced a defensive strategy which however became less curtailed in the month of May.

The equity portfolio performances highlight a significant contrast between those shares actively traded and those held as part of strategic investments.

The non-strategic portfolio benefited from the geographic and sectoral diversification, as well as the significant trading activity favoured by strong index volatility, with positive results achieved, outperforming the Eurostoxx 50 (-5.3%). The strategic portfolio suffered from a double negative impact within the financials which, as previously outlined, continue to lose ground compared to other sectors and with Italy also underperforming in relation to other areas.

In relation to the financial management in 2010 at Fixed Income level, all of the macroeconomic variables were considered which are in constant flux, with a continual focus on the containment of potential effects from the debt situations in some countries within the Eurozone.

The activity in the **Non-Life sector** saw a large number of tactical and strategic operations on government bonds in the Eurozone - with particular reference to Italy. 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 particularly 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 experienced 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 higher interest also from foreign investors and revitalising an asset class in which interest had been lost internationally.

The **Life sector** activity in 2010 was principally carried out at a tactical level and focused on the containment of the Portfolio risk. Activities were focused in the maintenance of a satisfactory current and future profit level, in line with the future general economic outlook.

The average duration of the portfolio was maintained substantially unchanged, in a situation in which the European Central Bank may finally focus more attention on its mandate for currency stabilisation.

As part of a prudent management, the exposure to “risky” government securities was significantly reduced (those of Greece, Portugal, Ireland and Spain).

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In relation to the securities sector issued by private companies (Corporate), given the strong performance of some sectors and issuers, it was considered appropriate to realise some of the gains matured, reinvesting in new high quality issues.

The management activities consistently considered the ALM profiles of each portfolio, seeking to maximise the investment objectives with strong returns for policyholders and integrating existing features into new products.

At the end of 2010, the bond sector of the Company accounted for 76% of the total portfolio, with a total duration of 4.83.

The Non-Life Division is composed of 56.8% of fixed income bonds, with the remaining 37.8% at a variable rate. There is also a residual component of approx. 5.4% in time deposit and monetary assets. The total duration of the portfolio is 2.10.

The Life Division has an asset allocation based primarily on fixed rates (80.1%) while the variable portion comprises 19.9%. The total duration of the portfolio is 5.53.

At strategic level, preference was given to investments in Government Securities in the Euro Area which represent 72.2% of the portfolio, while the Corporate segment represented 27.8%.

The Corporate Securities are, in the majority, belonging to the “Investment Grade” category.



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## SIGNIFICANT FINANCIAL OPERATIONS

In relation to listed subsidiaries:

- **MEDIOBANCA:** sale of 6,311,601 shares realising a gain of Euro 2,374 thousand.
- **PIRELLI & C.:** sale of 84,600,000 shares with the realisation of a gain of Euro 15,558 thousand; reduction of the share capital through the allocation to shareholders of 21,188,443 Prelios SpA (formerly Pirelli & C. Real Estate SpA) shares for a value of Euro 9,297 thousand.
- **GENERALI:** purchase of 930,000 shares with a payment of Euro 14,446 thousand.
- **UNICREDIT SPA:** subscription of 3,215,163 shares as part of the share capital increase for a payment of Euro 5,109 thousand.
- **INTESA SANPAOLO:** conferment of 44,000,000 shares to the subsidiary Sainernational following obligatory conversion of the bond loan into Intesa Sanpaolo shares.

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

- **ACOMEA SGR (Ex SAI ASSET MANAGEMENT):** sale of 450,000 shares representing 90% of the share capital of the company for a total value of Euro 4,940 thousand.
- **ATAHOTELS:** capital payment to cover current year losses of Euro 15,300 thousand.
- **AUTO PRESTO&BENE:** payment of share capital increase with a payment of Euro 1,000 thousand.
- **BANCA GESFID:** complete sale of 10,000 shares realising a gain of Euro 31,110 thousand.
- **CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA:** capital payment of Euro 1,600 thousand to cover the financial requirements for the start-up and beginning of activities in the oncology sector to be transferred to the group company Villa Ragionieri.
- **DIALOGO VITA:** complete sale of 4,800,000 shares, comprising 40% of the share capital of the company, to the subsidiary Milano Assicurazioni, holder of 60%, with the realisation of a gain of Euro 662 thousand.
- **EUROSAI:** reduction in the share capital by Euro 4,290 thousand with consequent repayment to shareholders of conferments made.
- **FONDIARIA-SAI SERVIZI GROUP:** payment to cover losses for Euro 3,699 thousand, sale of 12,258 shares to the subsidiaries SIAT, Immobiliare Lombarda and Auto Presto&Bene, net of the purchase of 2,000 shares from Acomea S.g.r.; increase of 2,000 shares from the merger by incorporation of Systema Vita into Fondiaria-SAI.
- **IMMOBILIARE FONDIARIA-SAI:** payment of share capital increase with a payment of Euro 20,464 thousand.
- **ITALIBERIA:** merger by incorporation into Fondiaria-SAI and cancelation of the investment for Euro 120,574 thousand.
- **NUOVE INIZIATIVE TOSCANE:** partial repayment of a share capital payment of Euro 5,813 thousand.
- **POPOLARE VITA S.p.A:** payment of future share capital increase of Euro 9,755 thousand.
- **VILLA RAGIONIERI:** payment of share capital increase with a payment of Euro 4,539 thousand.
- **SYSTEMA VITA:** merger by incorporation into Fondiaria-SAI and cancelation of the investment for Euro 15,000 thousand.

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## **Pirelli shareholder agreement**

The Pirelli & C. shareholder agreement was renewed for three years, with expiry on April 15, 2013. All of the participants of the agreement stated their wish to renew the pact within the terms established, expiring on January 15, 2010.

The agreement relates in total to 46.22% of the share capital and is comprised of nine shareholders: Camfin (20.32%), Mediobanca and Edizione (4.61% each), Fondiaria-SAI (4.42%), Allianz and Generali (4.41% each), Intesa Sanpaolo (1.62%), Massimo Moratti (1.19%) and Sinpar (0.63%).

## **Renewal of the shareholder agreement relating to IGLI S.p.A.**

On June 12, Argo Finanziaria, Autostrade per l'Italia and Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. for the Fondiaria SAI Group signed a renewal and modification agreement for the shareholder agreement - parties already subscribed and with expiry on June 12 - which concerns 100% of the share capital of IGLI, the holding company which in turn holds, as its only asset, a 29.9% stake in Impregilo S.p.A.

The new agreement substantially confirms the governance regulations already in place both for IGLI and for Impregilo, introducing only the following modifications:

1. the extension of the duration of IGLI until 31/07/2012 and the alignment of the Agreement duration with this date;
2. introduction of the following among the matters for which it is required that the Board of Directors of Impregilo may only approve with unanimous support of the IGLI Directors:
  - a) purchase or sale (or transfer) of Impregilo holdings in so-called strategic subsidiaries (i.e. currently Fisia Italmobiliare S.p.A., Impregilo International Infrastructures NV, Primav Ecorodovias SA and Impregilo Edilizia e Servizi S.p.A.);
  - b) the exercise of the right to vote in the extraordinary shareholders' meetings of the strategic subsidiaries, in which previously in both cases, the support of only two shareholders was sufficient;
3. the introduction, on the expiry of the Agreement and in the case of the non renewal, of the proportional spin-off of IGLI where previously the sale of the Impregilo shares held by IGLI to shareholders was provided for - a sale which now will only occur in the case for whatever reason the spin-off does not take 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 Fondiaria SAI Group holding in IGLI is now equally divided between Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. following the non proportional partial spin-off in 2009 of Immobiliare Lombarda through the assignment to the above-stated companies of the principal assets including the holding that Immobiliare Lombarda held in IGLI and consisting of 8,040,000 shares (33.33% of the share capital), a holding which was assigned to the two beneficiary companies in equal measure.

Following the spin-off Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni subscribed to the original IGLI Shareholder Agreement.

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This Agreement established, in the case of transfer of IGLI shares between companies of the same Group, that the transferring company, in our case Immobiliare Lombarda, remained obliged, together with the beneficiary/beneficiaries for the fulfilment of all obligations under the Agreement. Under this obligation, Immobiliare Lombarda was also required to subscribe to the above-mentioned renewal of the IGLI Pact.

## **Merger by incorporation of the subsidiaries Italiberia and Systema Vita**

In December, the merger by incorporation into Fondiaria-SAI S.p.A. was signed by the following entirely held companies:

- SYSTEMA VITA S.p.A. with registered office in Florence, Via Lorenzo il Magnifico No. I, share capital of Euro 6,240,000.00 fully paid-in, tax number and Company's Registration number of Florence 04273420481;
- ITALIBERIA INVERSIONES FINANCIERAS S.L.U. with registered office in Madrid Calle Nuria No. 36 1º 4, share capital of Euro 122,193,595 fully paid-in, tax number B58975657, enrolled in the Maritime Register in Madrid in book 16,664, M – 284305, Folder 76 No. 13.

The merger by incorporation, in accordance with the provisions of article 2505 of the civil code was undertaken without any share exchanges, as the participants of the operation were directly held 100% by the incorporating Fondiaria-SAI.

The share capital of the incorporating company remained unchanged and the shares of the incorporated companies were cancelled from the effective date of the merger.

The operations of the incorporated company Systema Vita were allocated to the accounts of the incorporating company as of January 1, 2010 and this date was also applicable for fiscal purposes.

Similarly, the operations of the subsidiary Italiberia were recorded in the financial statements of the incorporating company from the effective date of December 31, 2010.

Following the above-mentioned operations, the value of the investments were cancelled totalling Euro 135,574 thousand against increases in securities and other net assets of Euro 135,435 thousand. The difference between the value of the investments and the respective balance sheet values were recorded for Euro 358 thousand to the merger surplus, relating to the incorporation of Italiberia, while the negative difference relating to Systema Vita of Euro 497 thousand was expensed to the income statement in the year.

## FINANCIAL DEBT

At 31/12/2010, the financial debt of Fondiaria-SAI S.p.A. is as follows:

(in Euro millions)	31/12/2010	31/12/2009	Change
Subordinated loan 2002	400.0	400.0	-
Subordinated loan 2005	100.0	100.0	-
Subordinated loan 2006	150.0	150.0	-
Subordinated loan 2008	250.0	250.0	-
Various loans and other financial payables	323.3	509.8	(186.5)
<b>Total debt</b>	<b>1,223.3</b>	<b>1,409.8</b>	<b>(186.5)</b>

The account Subordinated loans include the following loans of the Parent Company with Mediobanca, with ISVAP authorisation:

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

In relation to subordinated loans, against a nominal Euro 900 million Interest Rate Swap contracts were underwritten for Euro 750 million in order to neutralise the risk related to the interest rate, stabilising on an annual basis the interest streams to be paid to the counterparty.

For further information, reference should be made to the section relating to derivative financial operations.

With reference to Other loans and Other financial payables, amounting to Euro 323.3 million, the most significant amounts are reported below:

- Euro 227.1 million refers to the loan granted by the subsidiaries Saifin (Euro 157 million) and Fondiaria Nederland B.V. (Euro 70.1 million);
- Euro 75 million relating to the senior loan contract concluded on June 24, 2009 between Fondiaria-SAI S.p.A. and Mediobanca. The loan was received in one single amount on January 25, 2010, while the repayment occurred on January 31, 2011.

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The residual of the account “Other loans and other financial payables”, amounting to Euro 21.2 million, relates to interest bearing loans from subsidiaries. For further information, reference should be made to the notes to the financial statements.

The change compared to 2009 is principally due to the repayments for the loan granted by the subsidiary Sainternational S.A., related to liquidity from a Convertible and Repayable Bond (Mandatory Exchangeable Guaranteed Notes) exclusively with Intesa SanPaolo ordinary shares owned by Fondiaria-SAI. The repayment of Euro 180.4 million took place on maturity on September 29, 2010, through conferment of 44 million Intesa Sanpaolo shares owned by Fondiaria-SAI.

The residual decrease of Euro 6.1 million is due to two repayments on an interest bearing loan with the subsidiary company Sai Holding. The first repayment of Euro 3.7 million took place on April 23, 2010 and the second of Euro 2.4 million on June 23, 2010.

## TREASURY SHARES AND SHARES OF HOLDING COMPANIES

At December 31, 2010 and at December 31, 2009, the Parent Company holds entirely, also through subsidiaries, the treasury shares and shares in the parent company Premafin Finanziaria, as shown in the table below:

(in Euro thousands)	31/12/2010		31/12/2009	
	Number	Book value	Number	Book Value
<b>Ordinary treasury shares held by:</b>				
Fondiarria-SAI	3,200,000	20,245	3,200,000	35,547
Milano Assicurazioni	9,982,557	182,262	9,982,557	229,260
Sai Holding	1,200,000	8,901	1,200,000	14,975
<b>Total</b>	<b>14,382,557</b>	<b>211,408</b>	<b>14,382,557</b>	<b>279,782</b>
<b>Shares of the holding company held by:</b>				
Fondiarria-SAI	18,340,027	14,107	18,340,027	19,189
Milano Assicurazioni	9,157,710	7,044	9,157,710	9,582
Saifin - Saifinanziaria	66,588	58	66,588	68
<b>Total</b>	<b>27,564,325</b>	<b>21,209</b>	<b>27,564,325</b>	<b>28,839</b>

### Treasury shares

In 2010, the company did not carry out any share buy-back operations.

Therefore at year end, the total treasury shares held in portfolio by the parent company amounted to 3,200,000 ordinary shares, comprising 2.571% of the ordinary share capital.

We also report that the subsidiary Sai Holding S.p.A. held 1,200,000 ordinary shares equal to 0.964% and the subsidiary Milano Assicurazioni S.p.A. held a further 9,982,557 ordinary shares, equal to 8.019%.

### Shares of the holding company

During 2010 no purchase or sales were undertaken on the ordinary shares of the holding company Premafin Finanziaria S.p.A..

At 31/12/2010, the Parent Company held 18,340,027 shares amounting to 4.469% of the share capital, while the subsidiary Saifin-Saifinanziaria S.p.A. held 66,588 ordinary shares amounting to 0.016% of the share capital and the subsidiary Milano Assicurazioni S.p.A. held a further 9,157,710 ordinary shares totalling 2.322% of the share capital.

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## REAL ESTATE SECTOR

The annual European Outlook meeting, organised by Scenari Immobiliari to analyse the state of the Italian and European real estate markets, reports a slight recovery in the sector in the Euro Zone countries (+1.2%, Euro 940 billion). The strongest real estate performance in 2010 was seen in Germany, with the industrial segment recording growth of over 7% and in England with forecasts of +1.4%. The worst performance was in Spain, with activity continuing to decline.

In Italy, after a two-year period of contraction, the real estate market showed signs of recovery and in 2010 began to stabilise.

In particular, the residential real estate market has assumed the features of ten years ago, when the sector was supported by the high-end of the market while the lower end remained marginal, represented by young persons and immigrants: average prices decreased by 2.5 percentage points. In 2011, growth is expected of small and medium sized properties. The pervasive stagnancy of the market should allay a sharp contraction, with consolidation of the trend emerging at the end of 2011.

With total turnover of Euro 7 billion, the office real estate sector contracted 1.4%. At the end of the year, both rental and prices had substantially stabilised. For 2011, a general improvement for the entire sector is forecast, with increases in top location listings estimated in excess of 2-3%.

The industrial real estate market however declined further (-2.7%, -18% in 2009). Further contractions are forecast in terms of prices and rentals, with an increase in the supply of existing buildings. The commercial real estate sector improved with activity expected to increase in 2010 by 2.6% on 2009. New construction investments are expected in 2011 with eco-sustainability being a common theme in these new projects.

Despite stagnation in consumption, the development plans of the large distribution chains have not undergone a particular curtailment: the categories which have seen the greatest growth have been the outlets and shopping malls, servicing a wide range of stores.

### Castello Area

A criminal case is before the Florence Court initiated by the Florence Public Prosecutor's Office in relation to the urbanisation of a building area in the Florence Municipality – in the Piana di Castello area - owned by NIT S.r.l., a Company of the Fondiaria-SAI Group.

The alleged offence is corruption.

On the order of the Public Prosecutor's Office of Florence, a sequestering order was made on the entire Castello area on November 26, 2008.

On the completion of the preliminary investigation, the Florence Public Prosecutor's Office requested the Judge of the Preliminary Hearing for committal for trial of those investigated, also requesting committal for trial of Fondiaria-SAI S.p.A. for an administrative offence pursuant to Articles 5 and 25 of Legislative Decree 231/2001 in relation to offences pursuant to Articles 319 and 321 of the Criminal Code.

Currently, the case is still in the preliminary hearing phase. In the case of conviction, the Parent Company could be required to pay a fine.

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It is recalled that, on the request of the Florence Public Prosecutor's Office, on November 26, 2008 a sequestration order was issued for the entire Castello Area, which was enforced by the Police Authorities. This order was also notified to NIT, although neither the Company nor its directors are under investigation. Currently, and to the best knowledge of the Company, there is no risk to the Company and its directors and, from the documentation in our possession there are no doubts on the legitimacy of the Convention of 2005 or the suitability for construction of the area.

The value of the assets relating to the so-called Castello Area at December 31, 2010, amounting to Euro 106.4 million, is below the expert's valuation undertaken by the Independent Expert Scenari Immobiliari of Euro 274.5 million.



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## **Other information**

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## STRUCTURE OF THE SALES ORGANISATION

With reference to 2010, the national distribution of the Fondiaria-SAI Agents was as follows:

	<b>Mandate SAI</b>	<b>Mandate Fondiaria</b>	<b>Total at 31/12/10</b>	<b>Total at 31/12/09</b>
North	390	247	637	607
Centre	154	155	309	333
South	193	143	336	366
<b>TOTAL</b>	<b>737</b>	<b>545</b>	<b>1,282</b>	<b>1,306</b>

The number of Agencies with SAI mandates was 737, and in addition to in-house resources, comprised of 194 Agencies in cities and 540 General Agencies. The number of Agents is 1,228.

Specifically, the distribution structure includes 1,282 sole agencies and other localisations belonging to the Parent Company (1,306 at 31/12/2009) as well as a further 2,172 sole and multi-firm agencies that collaborate with the other Group companies.

The secondary offices of the company are as follows: FLORENCE (Via Lorenzo il Magnifico, 1), MILAN (Via Senigallia, 18/2), MILAN (Via Locatelli, 1), ROME (Piazza di Spagna, 15).

## HUMAN RESOURCES

At 31/12/2010, the number of employees of the Company was 2,594 (2,659 at 31/12/2009) of which there were: 80 executives, 2,501 white-collar insurance employees and 13 caretakers of the buildings owned, whose employment contract is governed by the national caretakers contract.

In 2010, trade union relations were also undertaken according to the consolidated principles of disclosure and dialogue with the Trade Union Organisations and this has resulted in the signing, among others, of an agreement in accordance with the transnational merger regulation concerning the merger of the Spanish company Itiberia into Fondiaria-SAI.

The principal industrial relations event in 2010 was the signing of the first Fondiaria-SAI Group integrated contract on June 24, 2010.

The negotiations beginning in the autumn of 2009 were particularly complex due to the particular situation within the company and the wider economy and the presence of two trade union platforms, and finally, also due to the difficult issues in relation to harmonising the different types of pre-existing contracts.

The new agreement is applied to all Group insurance companies (excluding Pronto Assistance Servizi), which will - either immediately or according to a consolidated harmonisation - ensure uniform regulation within all of the institutions covered under the integrated contracts, with the exception of some who are far removed from a general level. Therefore, in order to ensure the balancing of costs, for these latter the process of harmonisation will be concluded on a second occasion - at the next contractual renewal.

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Despite the difficulties mentioned, the negotiations were carried out in a constructive climate cognisant of the particular market context and with a strong sense of responsibility to achieve solutions and thus resulting in a positive outcome. We highlight that during the renewal negotiations of the contract no strikes were declared and those of 2010 related exclusively to outside factors.

Employee disputes before the courts increased slightly on previous years.  
At 31/12/2010, there were 41 employment cases pending.

As always, all of the Company functions fully contributed to the expectations, giving a concrete contribution in terms of professionalism and commitment, of which it is necessary to give a warm thanks to all personnel involved. This thanks and appreciation is extended also to the agency networks.

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## STOCK OPTIONS PLANS

On July 14, 2006, the Board of Directors of 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 and of the parent company for the purchase of Fondiaria-SAI saving shares. The assignment by the Board is an execution of the extraordinary shareholders' meeting's resolution of Fondiaria-SAI of April 28, 2006. The Board of Directors meeting of June 20, 2007 resolved one year in advance the maturity of the vesting period established in the stock option plan regulations.

On the expiry of the vesting period, the beneficiaries could alternatively:

- maintain their options until their maturity;
- exercise the options, subscribing to the shares and maintaining them in portfolio;
- exercise the options, subscribing to the shares and selling them on the market.

In any case, the non-exercised options automatically expire on April 28, 2011.

The fair value of the options is established through suitable valuation models.

(in Euro)	Number options granted	Residual life	Option value	Total cost
Tranche A	5,173,360	0	2.792	14,345,862
Tranche B	3,880,020	0	2.708	10,433,219
Tranche C	3,880,020	0	2.809	10,822,218
<b>Total Fondiaria-SAI Group</b>	<b>12,933,400</b>			<b>35,601,298</b>
Options granted to the holding company	2,066,600			
<b>Total</b>	<b>15,000,000</b>			

The entire cost of the options had been entirely expensed at the end of the previous year.

Pursuant to article 78 of CONSOB regulation No. 11971 of May 14, 1999 as supplemented, the information required on stock option plans is provided:

### Stock options granted to the members of the Board of Directors, General Managers and Key management personnel:

		OPTIONS HELD AT BEGINNING OF 2010			OPTIONS ASSIGNED DURING 2010			OPTIONS EXERCISED DURING 2010			OPTIONS EXPIRED 2010	OPTIONS HELD AT THE END OF 2010		
Name	Office held	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average market price in year	Number of options	Number of options	Average exercise price	Average expiry
Jonella <b>Ligresti</b>	Chairman –													
	Director – EC	1,900,000	21.546	2011	-	-	-	-	-	-	-	1.900.000	21.546	2011
Giulia Maria Ligresti	Vice Chairman –													
	Director – EC	1,900,000	21.546	2011	-	-	-	-	-	-	-	1.900.000	21.546	2011
Antonio Talarico	Vice Chairman –													
	Director – EC	1,100,000	21.546	2011	-	-	-	-	-	-	-	1.100.000	21.546	2011
Fausto Marchionni (a)	CEO – Director –													
	EC – General Manager	1,900,000	21.546	2011	-	-	-	-	-	-	-	1.900.000	21.546	2011
Gioacchino Paolo Ligresti	Director – EC	1,900,000	21.546	2011	-	-	-	-	-	-	-	1.900.000	21.546	2011
Key management personnel (b)		4,618,000	21,546	2011	-	-	-	-	-	-	-	4,618,000	21.546	2011

- (a) On January 27, 2011, Mr. Fausto Marchionni resigned from the positions of Chief Executive Officer of Fondiaria-SAI and Chairman and Chief Executive Officer of Milano Assicurazioni, continuing as a Director of both companies (conclusion of mandate: approval of 2011 accounts).
- (b) The data of “key management personnel” is at an aggregate level.

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### **Sale of 100% of Banca Gesfid SA to PKB Privatbank SA completed**

Fonditaria-SAI S.p.A., concluding negotiations conducted for the company by Paolo Ligresti, agreed on September 16, 2010 the sale of 100% of the share capital of the subsidiary Banca Gesfid SA to PKB Privatbank SA, with the purchasing company acquiring the relevant authorisations from the Swiss authorities. The transfer was agreed at a price of CHF 124.4 million. This resulted in the recording of a gain of approx. Euro 31 million.

### **Sale of the Agricultural business “Cascina Veneria” by the subsidiary Saiagricola.**

On October 19, 2010, the conferment of the business unit and assets comprising the complex called “Cascina Veneria” in the municipality of Lignana (VC) was completed, as a result of which the conferring Saiagricolo S.p.A. (a 92% held direct subsidiary - with the remaining part held indirectly) ceded to the subsidiary Agrisai S.r.l. (the company owning the “Veneria” agricultural holding) the agricultural lands and buildings of the complex. The value of the business unit conferred is Euro 8.2 million while the expert valuation of the real estate assets is Euro 37.9 million. The legal and ownership rights of the operation are effective from 1/11/2010. On December 22, 2010, Saiagricolo S.p.A. completed the sale to third parties of the entire holding in Agrisai S.r.l., comprising the entire share capital, with the consequent realisation of a gain of Euro 31 million.

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## MANAGEMENT OF RISKS

### 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. During the year, the Group took part in QIS 5 with inclusion of all the companies belonging to the Group under the Solvency II Directive.

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 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.

### The risk management model, duties and responsibilities

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

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

- aimed 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. 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.

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This threshold is applied both in the calculation of the Economic Capital within the internal model and in the stochastic measures within the structure of the operating limits and in particular within the management guidelines of the securities portfolio. 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.

## **Information on Financial Risks**

### **Objectives and criteria of the financial risk management**

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

The policy adopted 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 concentration risk.

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.



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### 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%.

**Table 2 – 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	16.26	9.20	0.04	9.25
Total Derivatives	-0.02	N/A	0.00	N/A
Net equity exposure	16.24	8.32	0.04	8.36
Total Securities	36.02	0.89	0.00	0.89
Total non-listed shares	44.37	3.99	0.00	3.99
Total	96.63	3.56	0.01	3.57
Other assets	3.37	0.92	0.00	0.92
Total	100.00	3.47	0.01	3.48

**Table 3 – 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	23.45	14.51	0.04	14.55
Total Derivatives	0.09	-231.02	0.00	-231.02
Net equity exposure	23.54	13.53	0.04	13.57
Total Securities	29.87	0.73	0.00	0.73
Total non-listed shares	43.30	10.40	0.00	10.40
Total	96.72	8.17	0.01	8.18
Other assets	3.28	8.33	0.00	8.33
Total	100.00	8.18	0.01	8.19

**Table 4 – Analysis of the Value at Risk of the Life Division at 31/12/2010**

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Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
<b>Total listed shares</b>	5.10	10.54	0.13	10.67
<b>Total Securities</b>	80.82	1.34	0.00	1.34
<b>Total non-listed shares</b>	9.58	4.56	0.00	4.56
<b>Total</b>	95.50	2.15	0.01	2.16
<b>Other assets</b>	4.50	1.34	0.00	1.34
<b>Total</b>	100.00	2.12	0.01	2.13

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**Table 5 – Analysis of the Value at Risk of the Life Division at 31/12/2009**

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Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
<b>Total listed shares</b>	5.10	10.54	0.13	10.67
<b>Total Securities</b>	80.82	1.34	0.00	1.34
<b>Total non-listed shares</b>	9.58	4.56	0.00	4.56
<b>Total</b>	95.50	2.15	0.01	2.16
<b>Other assets</b>	4.50	1.34	0.00	1.34
<b>Total</b>	100.00	2.12	0.01	2.13

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*The percentage weight is calculated taking as reference the listed value.*

*The column “VaR Rate/Price” 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.*

*In relation to the report concerning the Life Division, in 2010 derivative hedging positions on the equities portfolio were no longer in place.*

**Table 6 – 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	16.26	36.81	0.21	37.02
Total Derivatives	-0.02	N/A	0.00	N/A
Net equity exposure	16.24	30.95	0.21	31.16
Total Securities	36.02	3.22	0.00	3.22
Total non-listed shares	44.37	17.94	0.01	17.95
Total	96.63	14.64	0.04	14.68
Other assets	3.37	3.35	0.00	3.35
Total	100.00	14.26	0.04	14.30

**Table 7 – Analysis of the Risk Capital of the Non-Life Division at 31/12/2009**

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	23.45	50.33	0.18	50.52
Total Derivatives	0.09	-1026.83	0.00	-1026.83
Net equity exposure	23.54	46.04	0.18	46.22
Total Securities	29.87	2.31	0.00	2.31
Total non-listed shares	43.30	41.04	0.01	41.04
Total	96.72	30.29	0.05	30.34
Other assets	3.28	31.87	0.00	31.87
Total	100.00	30.35	0.05	30.39

**Table 8 – 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 %
<b>Total listed shares</b>	5.10	41.10	0.60	41.70
<b>Total Securities</b>	80.82	5.40	0.01	5.41
<b>Total non-listed shares</b>	9.58	20.49	0.00	20.49
<b>Total</b>	95.50	8.82	0.04	8.86
<b>Other assets</b>	4.50	5.38	0.00	5.38
<b>Total</b>	100.00	8.66	0.04	8.71

**Table 9 – Analysis of the Risk Capital of the Life Division at 31/12/2009**

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
<b>Total listed shares</b>	8.59	46.01	1.28	47.29
<b>Total Derivatives</b>	-0.11	148.38	0.00	148.38
<b>Net equity exposure</b>	8.48	44.69	1.30	45.99
<b>Total Securities</b>	76.42	4.78	0.02	4.80
<b>Total non-listed shares</b>	9.49	41.12	1.20	42.32
<b>Total</b>	94.39	12.02	0.25	12.27
<b>Total</b>	100.00	12.02	0.24	12.26

*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.*

*In relation to the report concerning the Life Division, in 2010 derivative hedging positions on the equities portfolio were no longer in place.*

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 change in method, the principle proposed by EIOPA (formerly CEIOPS) in the Quantitative Impact Study 2010 (QIS5) for the calculation of the equity risk of strategic investments was valued applying the lower volatility coefficients.

The total Value at Risk for the listed and non-listed equities utilising the old methodology would amount respectively to 11.87% and 8.44% for the Life Division and 12.57% and 7.31% for the Non-Life Division. The total Risk Capital for the listed and non-listed equities utilising the old methodology would amount respectively to 45.55% and 34.53% for the Life Division and 47.50% and 29.96% for the Non-Life Division.

## 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 (with reference only to the financial assets) corresponding to an increase and a decrease in the interest rates of 50 bp.

**Table 10 – Sensitivity analysis of the bond component**

(in Euro millions)

	+ 50 bp		- 50 bp	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
<b>Total</b>	<b>(248)</b>	<b>(209)</b>	<b>264</b>	<b>223</b>
of which Non-Life	(23)	(17)	24	18
of which Life	(225)	(192)	240	206

*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.

**Table 11 - Analysis of the Non-Life bond component by VaR and Risk Capital maturity**

Type	Composition % (Exact holding)	Duration Macaulay	VaR Rate %	Risk Capital Rate %
<b>Government Euro</b>	<b>85.95</b>	<b>2.51</b>	<b>0.86</b>	<b>3.08</b>
<i>Variable rate</i>	<i>32.36</i>	<i>1.42</i>	<i>0.51</i>	<i>2.22</i>
<i>Fixed rate</i>	<i>53.58</i>	<i>3.18</i>	<i>1.07</i>	<i>3.60</i>
<b>0.0 &lt; ≤ 1.5</b>	8.40	0.96	0.49	0.37
<b>1.5 &lt; ≤ 3.0</b>	27.72	2.28	1.01	3.10
<b>3.0 &lt; ≤ 5.5</b>	12.54	3.97	1.33	5.30
<b>&gt; 7</b>	4.92	9.52	1.76	7.63
<b>Corporate Euro</b>	<b>8.90</b>	<b>5.00</b>	<b>1.42</b>	<b>5.77</b>
<i>Fixed rate</i>	<i>8.90</i>	<i>5.00</i>	<i>1.42</i>	<i>5.77</i>
<b>0.0 &lt; ≤ 1.5</b>	0.19	0.71	0.38	0.04
<b>1.5 &lt; ≤ 3.0</b>	0.97	2.60	1.11	3.75
<b>3.0 &lt; ≤ 5.5</b>	3.86	4.13	1.40	5.58
<b>5.5 &lt; ≤ 7</b>	1.40	5.68	1.57	6.63
<b>&gt; 7</b>	2.49	7.24	1.58	6.81
<b>Euro Bond Funds</b>	<b>5.15</b>	<b>1.02</b>	<b>0.48</b>	<b>0.67</b>
<i>Fixed rate</i>	<i>5.15</i>	<i>1.02</i>	<i>0.48</i>	<i>0.67</i>
<b>0.0 &lt; ≤ 1.5</b>	4.54	0.74	0.38	0.18
<b>1.5 &lt; ≤ 3.0</b>	0.42	2.98	1.16	4.17
<b>3.0 &lt; ≤ 5.5</b>	0.19	3.34	1.23	4.63
<b>Total Bonds</b>	<b>94.85</b>	<b>2.76</b>	<b>0.91</b>	<b>3.33</b>
<b>Total</b>	<b>100.00</b>	<b>2.67</b>	<b>0.89</b>	<b>3.20</b>

Table 12 - Analysis of Life Division bond component by VaR and Risk Capital maturity

Type	Composition % (Exact holding)	Duration Macaulay	VaR Rate %	Risk Capital Rate %
<b>Government Euro</b>	<b>70.77</b>	<b>6.84</b>	<b>1.31</b>	<b>5.33</b>
<i>Variable rate</i>	<i>14.69</i>	<i>1.69</i>	<i>0.56</i>	<i>2.36</i>
<i>Fixed rate</i>	<i>56.08</i>	<i>8.15</i>	<i>1.50</i>	<i>6.11</i>
0.0< <=1.5	6.22	0.81	0.42	0.19
1.5< <=3.0	6.05	2.03	0.93	2.64
3.0< <=5.5	7.55	3.73	1.32	5.15
5.5< <=7	1.46	5.17	1.53	6.42
>7	34.81	11.20	1.84	7.97
<b>Corporate Euro</b>	<b>29.16</b>	<b>4.38</b>	<b>1.31</b>	<b>5.09</b>
<i>Variable rate</i>	<i>0.26</i>	<i>0.11</i>	<i>0.02</i>	<i>0.81</i>
<i>Fixed rate</i>	<i>28.90</i>	<i>4.42</i>	<i>1.32</i>	<i>5.13</i>
0.0< <=1.5	2.58	0.68	0.34	0.28
1.5< <=3.0	4.20	2.18	0.96	2.90
3.0< <=5.5	10.35	3.51	1.27	4.87
5.5< <=7	4.70	5.46	1.67	6.99
>7	7.07	7.37	1.72	7.36
<b>Euro Bond Funds</b>	<b>0.00</b>	<b>3.42</b>	<b>1.20</b>	<b>4.58</b>
<i>Fixed rate</i>	<i>0.00</i>	<i>3.42</i>	<i>1.20</i>	<i>4.58</i>
0.0< <=1.5	0.00	0.51	0.27	0.00
3.0< <=5.5	0.00	3.67	1.28	4.97
<b>Government Non Euro</b>	<b>0.06</b>	<b>2.42</b>	<b>0.19</b>	<b>0.27</b>
<i>Variable rate</i>	<i>0.00</i>	<i>0.17</i>	<i>0.02</i>	<i>0.00</i>
<i>Fixed rate</i>	<i>0.06</i>	<i>2.48</i>	<i>0.20</i>	<i>0.28</i>
0.0< <=1.5	0.03	0.42	0.04	0.00
1.5< <=3.0	0.02	2.31	0.31	0.39
3.0< <=5.5	0.01	3.94	0.19	0.29
5.5< <=7	0.00	5.83	0.39	1.24
>7	0.00	13.72	0.85	1.57
<b>Total Bonds</b>	<b>100.00</b>	<b>6.25</b>	<b>1.31</b>	<b>5.26</b>
<b>Total</b>	<b>100.00</b>	<b>6.25</b>	<b>1.31</b>	<b>5.26</b>

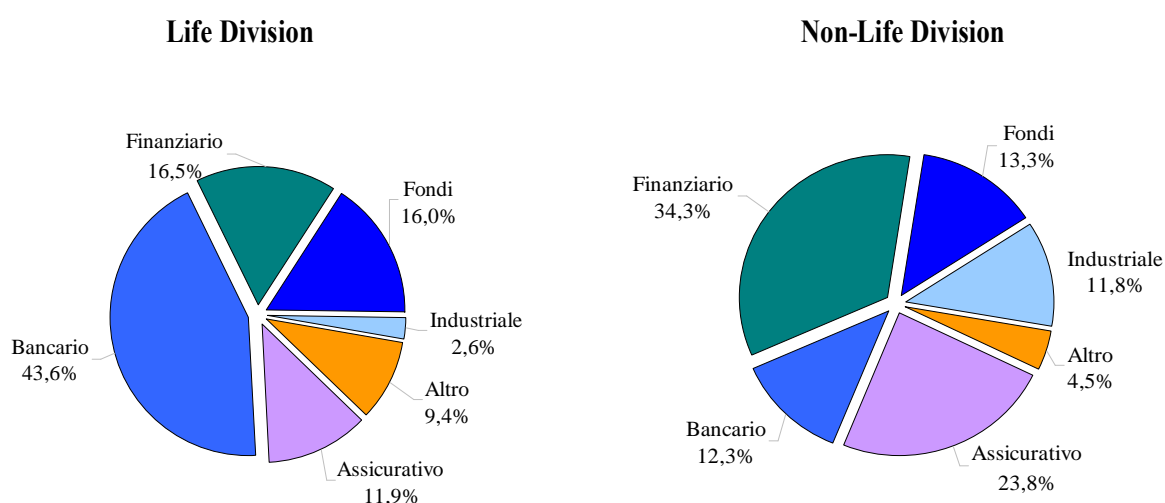
### Equity risk, exchange risk and real estate risk

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.

**Graph 8 – Equity portfolio breakdown**



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

**Table 13 – Sensitivity analysis of the listed equity portfolio**

(in Euro millions)	31/12/2010	31/12/2009
<b>Total</b>	<b>(112)</b>	<b>(188)</b>
of which Non-Life	(70)	(118)
of which Life	(42)	(70)

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

**Table 14 – Analysis of the composition of the VaR of the Non-Life Division**

Type	Currency	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Shares	US Dollar	0.02	29.49	5.14	34.63
	Euro	16.09	9.20	0.00	9.20
	Swiss Franc	0.06	7.70	4.35	12.05
	UK Sterling	0.08	7.33	4.27	11.59
	<b>Total listed shares</b>	<b>16.26</b>	<b>9.20</b>	<b>0.04</b>	<b>9.25</b>
Derivatives on shares	Euro	-0.02	N/A	0.00	N/A
	<b>Total Derivatives</b>	<b>-0.02</b>	<b>N/A</b>	<b>0.00</b>	<b>N/A</b>
	<b>Net equity exposure</b>	<b>16.24</b>	<b>8.32</b>	<b>0.04</b>	<b>8.36</b>
Bond funds	Euro	1.97	0.48	0.00	0.48
Bonds	Euro	34.05	0.92	0.00	0.92
	<b>Total Bond Funds</b>	<b>36.02</b>	<b>0.89</b>	<b>0.00</b>	<b>0.89</b>
Shares	US Dollar	0.01	7.65	5.14	12.79
	Euro	44.36	3.99	0.00	3.99
	<b>Total non-listed shares</b>	<b>44.37</b>	<b>3.99</b>	<b>0.00</b>	<b>3.99</b>
	<b>Total</b>	<b>96.63</b>	<b>3.56</b>	<b>0.01</b>	<b>3.57</b>
	Euro	3.37	0.92	0.00	0.92
	<b>Other assets</b>	<b>3.37</b>	<b>0.92</b>	<b>0.00</b>	<b>0.92</b>
	<b>Total</b>	<b>100.00</b>	<b>3.47</b>	<b>0.01</b>	<b>3.48</b>



**Table 15 – Analysis of the composition of the VaR of the Life Division**

Type	Currency	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Shares	Danish Crown	0.01	22.62	0.27	22.89
	Norwegian Crown	0.00	27.18	3.85	31.03
	US Dollar	0.03	12.05	5.14	17.19
	Euro	4.94	10.53	0.00	10.53
	Swiss Franc	0.09	8.74	4.35	13.09
	UK Sterling	0.02	10.35	4.27	14.62
	<b>Total listed shares</b>	<b>5.10</b>	<b>10.54</b>	<b>0.13</b>	<b>10.67</b>
Bond funds	Euro	0.18	6.97	0.00	6.97
Bonds	US Dollar	0.03	0.23	5.18	5.41
	Euro	80.59	1.33	0.00	1.33
	Swiss Franc	0.02	0.11	4.43	4.54
	Japanese Yen	0.00	0.39	6.78	7.17
	<b>Total Bond Funds</b>	<b>80.82</b>	<b>1.34</b>	<b>0.00</b>	<b>1.34</b>
Shares	Euro	9.58	4.56	0.00	4.56
	<b>Total non-listed shares</b>	<b>9.58</b>	<b>4.56</b>	<b>0.00</b>	<b>4.56</b>
<b>Total</b>		<b>95.50</b>	<b>2.15</b>	<b>0.01</b>	<b>2.16</b>
	Euro	4.50	1.34	0.00	1.34
	<b>Other assets</b>	<b>4.50</b>	<b>1.34</b>	<b>0.00</b>	<b>1.34</b>
	<b>Total</b>	<b>100.00</b>	<b>2.12</b>	<b>0.01</b>	<b>2.13</b>

*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.*

**Tab. 16 – Analysis of the composition of the Risk Capital of the Non-Life Division**

Type	Currency	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Shares	Danish Crown	0.01	22.62	0.27	22.89
	Norwegian Crown	0.00	27.18	3.85	31.03
	US Dollar	0.03	12.05	5.14	17.19
	Euro	4.94	10.53	0.00	10.53
	Swiss Franc	0.09	8.74	4.35	13.09
	UK Sterling	0.02	10.35	4.27	14.62
	<b>Total listed shares</b>	<b>5.10</b>	<b>10.54</b>	<b>0.13</b>	<b>10.67</b>
Bond funds	Euro	0.18	6.97	0.00	6.97
Bonds	US Dollar	0.03	0.23	5.18	5.41
	Euro	80.59	1.33	0.00	1.33
	Swiss Franc	0.02	0.11	4.43	4.54
	Japanese Yen	0.00	0.39	6.78	7.17
	<b>Total Bond Funds</b>	<b>80.82</b>	<b>1.34</b>	<b>0.00</b>	<b>1.34</b>
Shares	Euro	9.58	4.56	0.00	4.56
	<b>Total non-listed shares</b>	<b>9.58</b>	<b>4.56</b>	<b>0.00</b>	<b>4.56</b>
<b>Total</b>		<b>95.50</b>	<b>2.15</b>	<b>0.01</b>	<b>2.16</b>
	Euro	4.50	1.34	0.00	1.34
	Other assets	4.50	1.34	0.00	1.34
	<b>Total</b>	<b>100.00</b>	<b>2.12</b>	<b>0.01</b>	<b>2.13</b>

**Table 17 – Analysis of the composition of the Risk Capital of the Life Division**

Type	Currency	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Shares	Danish Crown	0.01	75.49	1.35	76.84
	Norwegian Crown	0.00	83.06	18.12	101.18
	US Dollar	0.03	43.85	23.73	67.57
	Euro	4.94	41.09	0.00	41.09
	Swiss Franc	0.09	36.78	20.33	57.11
	UK Sterling	0.02	39.67	19.95	59.62
	<b>Total listed shares</b>	<b>5.10</b>	<b>41.10</b>	<b>0.60</b>	<b>41.70</b>
Bond funds	Euro	0.18	28.40	0.00	28.40
Bonds	US Dollar	0.03	0.29	23.90	24.18
	Euro	80.59	5.35	0.00	5.35
	Swiss Franc	0.02	0.14	20.67	20.81
	Japanese Yen	0.00	1.24	30.54	31.78
	<b>Total Bond Funds</b>	<b>80.82</b>	<b>5.40</b>	<b>0.01</b>	<b>5.41</b>
Shares	Euro	9.58	20.49	0.00	20.49
	<b>Total non-listed shares</b>	<b>9.58</b>	<b>20.49</b>	<b>0.00</b>	<b>20.49</b>
<b>Total</b>		<b>95.50</b>	<b>8.82</b>	<b>0.04</b>	<b>8.86</b>
	Euro	4.50	5.38	0.00	5.38
	Other assets	4.50	5.38	0.00	5.38
	<b>Total</b>	<b>100.00</b>	<b>8.66</b>	<b>0.04</b>	<b>8.71</b>

*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.

With reference to the above method described, the Risk Capital at 31/12/2010 was 4.9% of the current value of the property in the accounts (Euro 1,534 million).

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## 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.

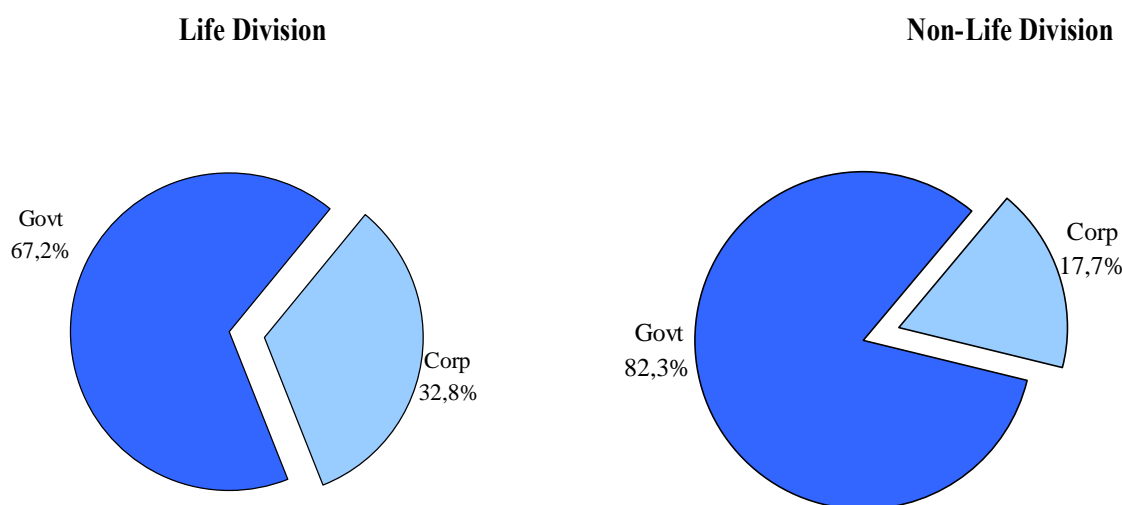
The internal model utilises two models to determine the spread risk.

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.

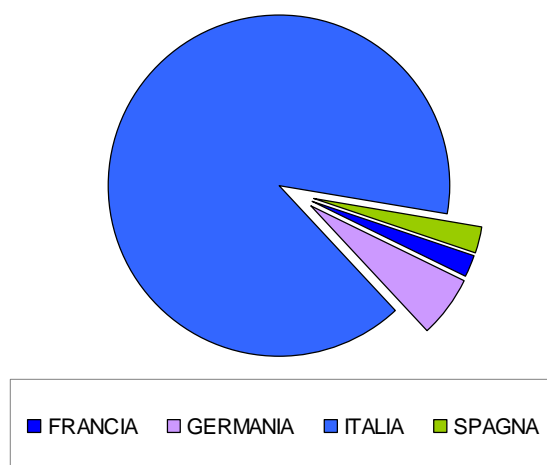
In relation to the control of the global exposition to the credit risk, specific resolutions of the Board of Directors have fixed limits in terms of concentration for reinsurers and rating classes.

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

**Graph 9 - Composition of the Bond portfolio**

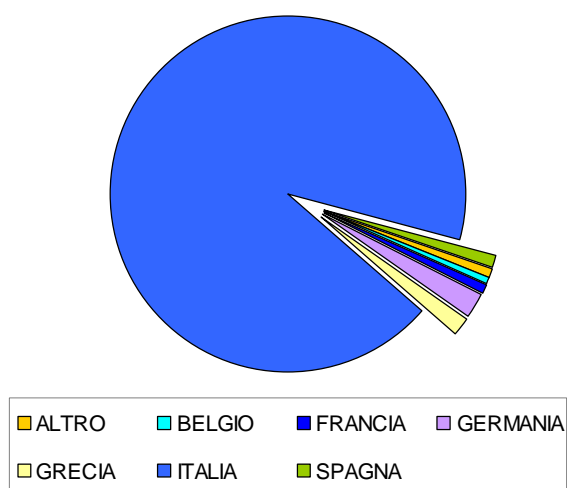


**Graph 10 – Government bond portfolio by country of the Non-Life Division**



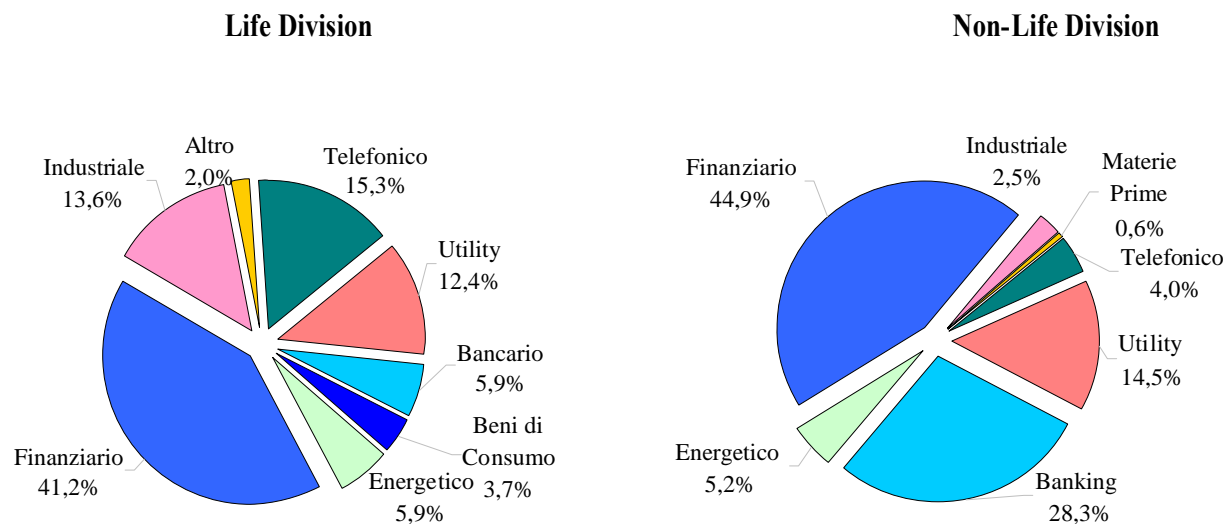
Issuing country	Quota (%)
FRANCE	1.99
GERMANY	5.91
ITALY	89.68
SPAIN	2.42

**Graph 11 – Government bond portfolio by country of the Life Division**

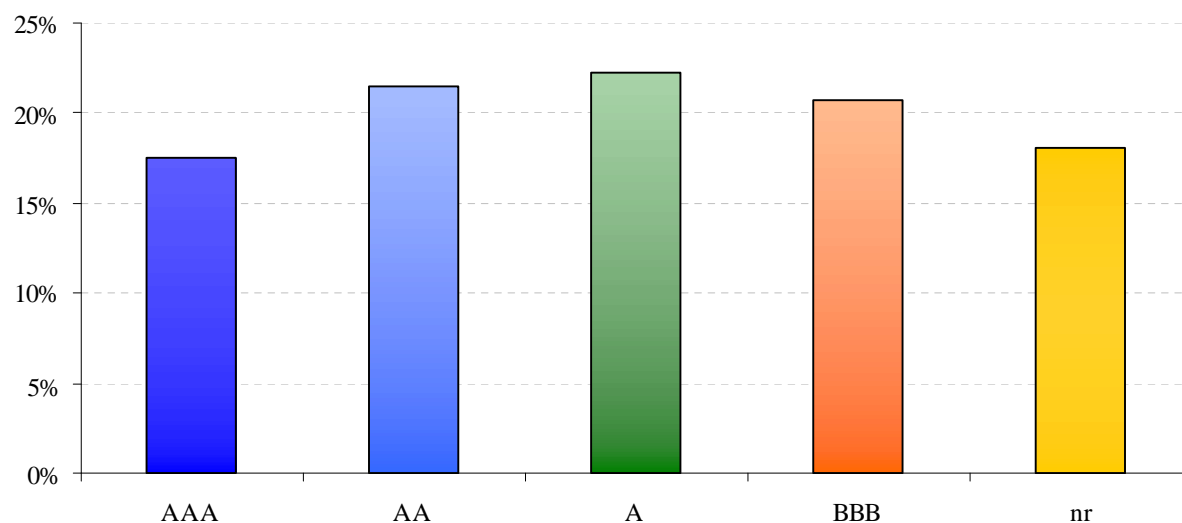


Issuing country	Quota (%)
BELGIUM	0,60
CANADA	0,06
FINLAND	0,05
FRANCE	0,87
GERMANY	2,09
GREECE	1,75
IRELAND	0,30
ITALY	92,71
PORTUGAL	0,06
SOVRANATIONAL	0,33
SPAIN	1,17
HUNGARY	0,01

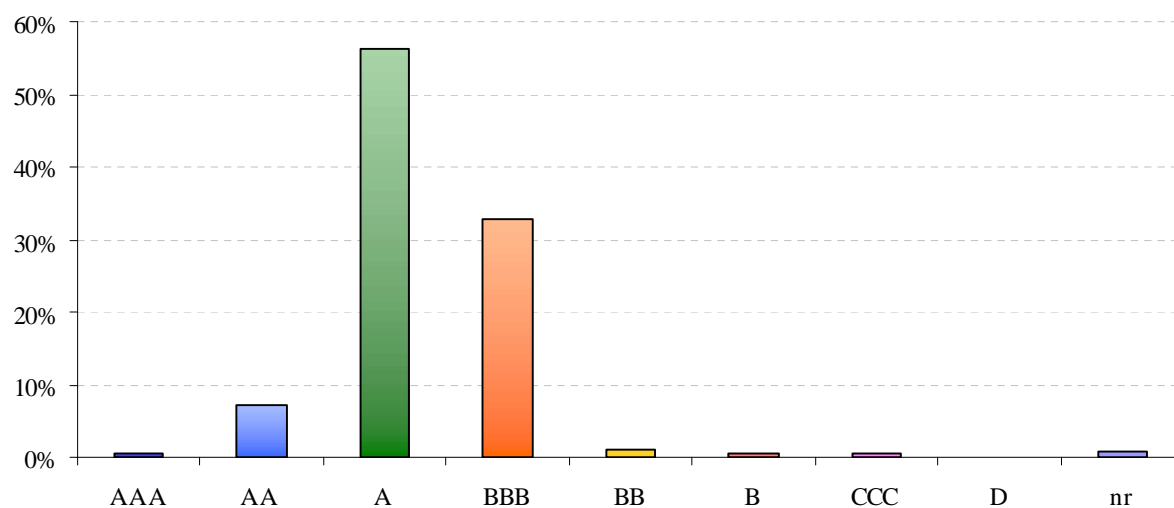
**Graph 12 - Composition of corporate bonds by segment**



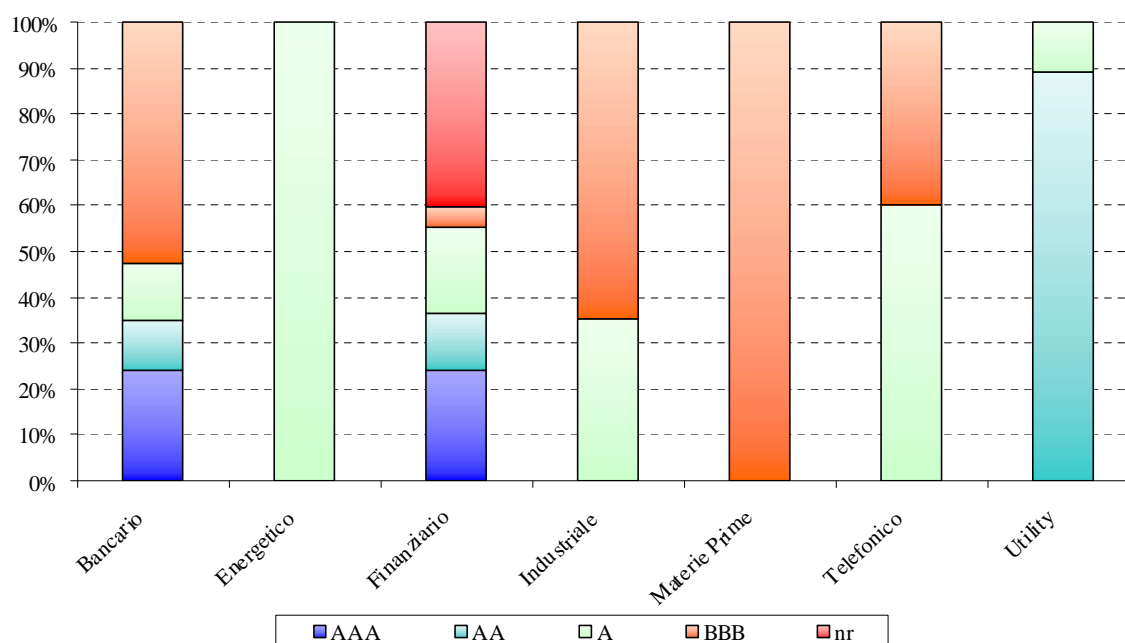
**Graph 13 – Corporate bond portfolio of Fondiaria SAI by Standard & Poor's rating – Non-Life Division**



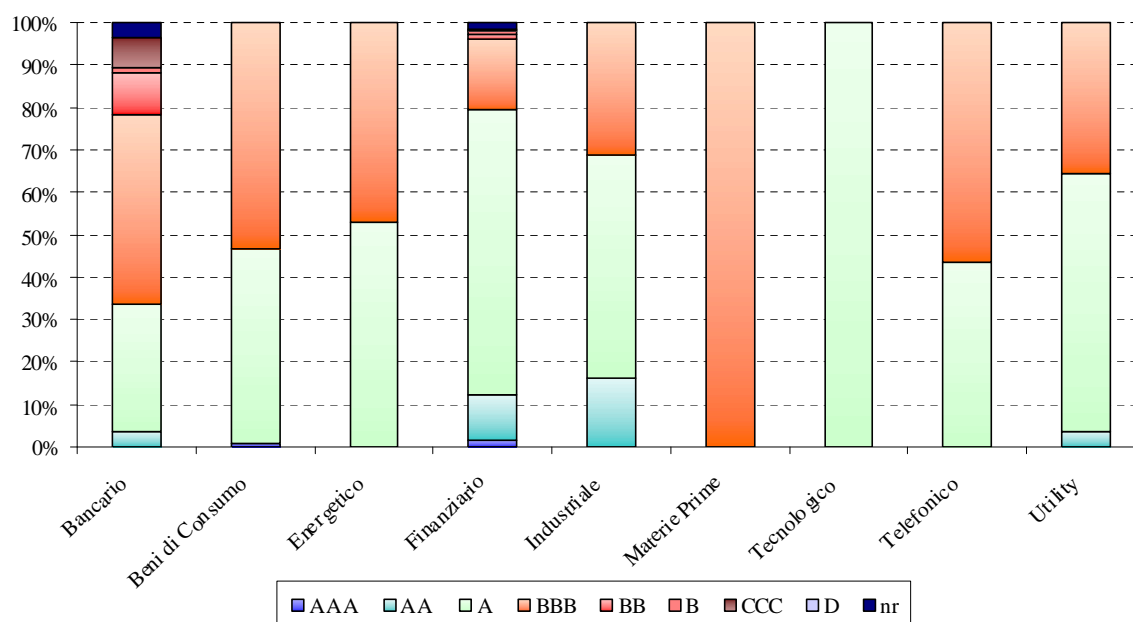
**Graph 14 – Corporate bond portfolio of Fondiaria SAI by Standard & Poor’s rating = Life Division**



**Graph 15 - Corporate bond portfolio by sector and rating of the Non-Life Division**



**Graph 16- Corporate bond portfolio by sector and rating of the Life Division**



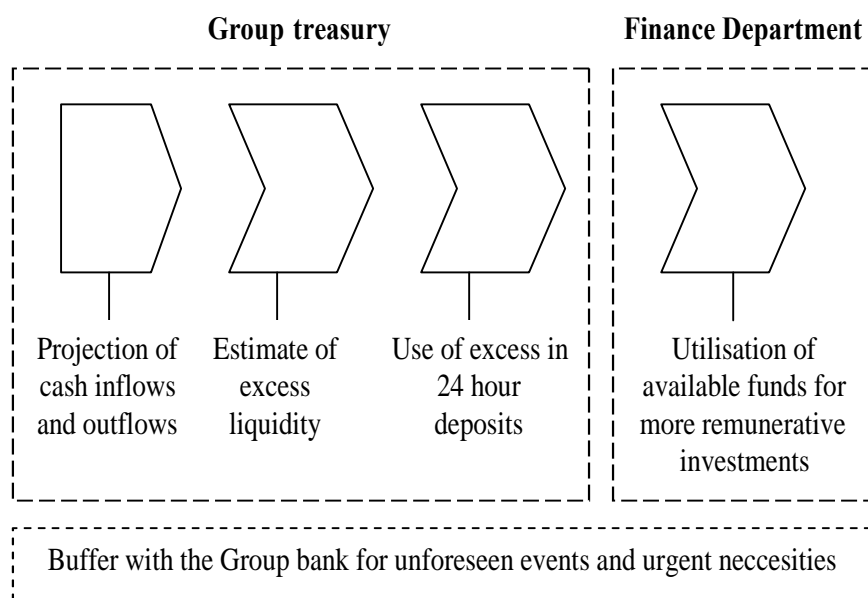
### Liquidity risk

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).

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## Information on operating risks

### 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.

**Table 18 – Classification of the operating risk**

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#### Classification levels

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

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### **Activity performed**

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.

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## **CULTURAL AND SOCIAL INITIATIVES**

### **Branding, internal and external communications**

In the current difficult environment, this activity principally focuses on managing the media impact of results achieved during the year, and in highlighting the actions taken by the Group at a financial-industrial level, in defence of profitability. The actions taken to contain costs within the Motor TPL division were also highlighted, with the establishment of a new more personalised tariff and a review of discounting and in relation to claims, the consolidation of the “Auto Presto & Bene” project and the reorganisation of the settlement network.

Communication activities also focused on the role of the company in important Milanese property projects and provided visibility to the new initiatives in the health field concerning the creation of a Florence-based oncology centre.

In relation to the societal role of the company, commitments undertaken in previous years were reconfirmed with non-profit organisations and associations operating in the health field, as described in more detail in the paragraph “Sponsorship and Donations”.

### **Public Relations**

Despite the financial crisis, and as testament to the commitment to the world of culture in a moment in which a critical phase in the economic cycle was being endured, in 2010 the cultural commitment of Fondiaria-SAI remained strong.

For the seventh consecutive year the sponsorship and support continued of the inaugural show of the Regio di Torino Theatre. The first show, the “Boris Godunov” of Musorgskij, which took place at the beginning of October, confirmed the success of the commitment which the Parent Company renewed in 2010.

### **Customer relations**

The number of complaints received by the Company pursuant to Regulation No. 24 of May 19, 2008 in 2010 saw an increase of 33.6%.

At December 31, 2010, 96% of claims received were responded to. The average response time was 25 days.

At December 31, 2010 therefore 4% of claims received were still open, of which 88% handled by the end of the succeeding quarter.

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Claims relating to the Non-Life Division represent 98% of the total at December 31, 2010, with the remaining 2% concerning the Life Division.

Of claims received, over 80% related to the Motor and Pleasure Boat TPL Class, of which 57% relating to Direct Indemnity motor claims.

The highest amount of claims received by **Fonditaria-SAI** in the January – December 2010 period (44%) were presented by legal professionals, following direct claims (35%) and claims from consultants at 17% comprising the third most numerous category. 1% were received from consumer associations or organisations representing collective interests.

The majority of claims (57%) concern policyholders, followed by third parties (34%), with beneficiaries and contracting parties both with 4%.

The geographic distribution of claims highlight 42% from the Southern regions, with the North and Central regions comprising respectively 20% and 19% of the total, with the Islands representing 16% of claims.

## **Sponsorship and Donations**

The support plan also for 2010 focused on, although with a reduced budget, problems associated to marginalisation and physical and mental health.

The support continued of AIMAC – the Italian Cancer Association, which offers psychological help to persons suffering from cancer and their family and information on the illness through a series of initiatives and publications. The support for the Aid Association for persons with the Prader Willy syndrome continued, which concerns the research and care related to the rare genetic disorder which affects the intellectual and emotional development of children and the Gulliver Association, a support centre for those recovering from drug dependency and providing assistance to their families.

Among the social-cultural initiatives, Fonditaria SAI supported the third edition of the Fiuggi Film Festival, a film festival entirely dedicated to the family, and for which a stand has been erected featuring Group company products.

As part of the celebrations marking 150 years of Italian Unity, Fonditaria-SAI supported the “Towards 2011 – the Founding Fathers” show, charting the construction of a unified Italian state.

Always attentive to the needs and the particular features of the region in which it operates, Fonditaria-SAI has supported for many years the AIM – the Metropolitan Interests Association, established with the objective to support the Milan metropolitan area through research, projects, conventions and publications.

In the sporting field, Fonditaria-SAI reconfirmed, among others, the support for the historic Milan Football Association Masseroni Marchese, created in 1948 in order to encourage sport as an important instrument in the training of young persons.

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## **Press Office**

The press office ensures a constant flow of information on the Company, both at an institutional/corporate level, and at a product level, managing the publication of the financial reports (quarterly, half-year and annual), the objectives planned and reached, as well as with regard to strategic operations.

In relation to the Parent Company, 24 price sensitive press releases, in addition to three joint Fondiaria-SAI and Milano Assicurazioni press releases were published in the year.

## **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, Fondiaria-SAI 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.

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## RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS

### Rating

On March 26, 2010, the rating agency Standard & Poor's, within a general review of the Italian insurance market, revised the rating of the Fondiaria-SAI Group and its principal subsidiary Milano Assicurazioni, from A- to BBB+. This change in the rating is related to the deterioration in the operating performance as well as the reduced financial and capital flexibility. The outlook is confirmed as negative, due to concerns on the capacity of the Group to return profitability to its historic levels.

However the report underlines the solid leadership position held in the Non-Life sector in Italy and the continued improvement of the ERM (Enterprise Risk Management). The Standard & Poor's rating reflects the current difficult market conditions within the Non-Life sector.

On October 1, 2010 the rating agency Standard & Poor's revised the rating of the Fondiaria-SAI Group and its principal subsidiary Milano Assicurazioni S.p.A. from BBB+ to BBB.

This revision is due to reduced funding opportunities which, in the opinion of the rating agency, stems from the weakening of the financial profile of Premafin Finanziaria; the capacity of the Group to recover the profit levels of the recent past has been hindered by the continuation of the crisis on the financial markets, in addition to a difficult non-life insurance market, particularly within the Auto sector, in which the Group is the undisputed leader.

The outlook improved from negative to stable in consideration of the ability of the Group to maintain a dominant position in the Italian insurance market in the medium term.

On December 1, 2010 the rating agency Standard & Poor's placed Fondiaria-SAI S.p.A. and Milano Assicurazioni S.p.A. on negative credit watch due to the uncertainties surrounding the completion of the share capital increase announced by the parent company Premafin S.p.A. which concern CONSOB's decision on whether a compulsory purchase offer should be compelled, in addition to the timeframe involved in Premafin's debt re-negotiation which could affect the financing available to Fondiaria-SAI.

In March 2011, the ratings agency Standard & Poor's further revised the rating of Fondiaria-SAI and its main subsidiary Milano Assicurazioni. For further details reference should be made to the section "Significant events after the year-end".

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## **DIRECTION AND CO-ORDINATION – RELATIONS WITH GROUP COMPANIES AND RELATED PARTIES**

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

In this regard, the Company is not subject to direction and co-ordination pursuant to Article 2497 and subsequent of the Civil Code. The company however undertakes direction and co-ordination in accordance with the regulations cited in relation to its subsidiaries, including Milano Assicurazioni and its direct subsidiaries.

The Company has drawn up rules of conduct 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 subsidiary companies, considered significant based on the nature of the operation or the amount.

The Company undertook transactions of a financial, insurance and a service nature with the majority of the companies of its Group.

The transactions with the companies of the Group are within the normal activities of management and coordination of the Company and they are subject to, where applicable, the specific governance control by ISVAP. There were no transactions of an atypical nature compared to the normal activities of the business.

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

The inter-group services guarantee the rationalisation of the operational functions and the utilisation of the existing synergies in the Group, realising greater overall economies.

In particular transactions with the Group companies subject to Direction and Co-ordination resulted in the recharging of costs of Euro 332 million and the recording of revenues of approx. Euro 239 million. The difference is principally due to the recharging of services by the Fondiaria-SAI Servizi Group Consortium in which all of the common activities relating to the Group departments are concentrated.

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

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

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



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## NATIONAL TAX CONSOLIDATION

In 2010, Group taxation was carried out under Article 117 of the Pres. Decree No. 917/1986 (so-called national tax consolidation) in which Fondiaria-SAI, as consolidating company, settles and pays the IRES income tax on behalf of the 61 subsidiary companies within the tax consolidation.

In application of the above-stated provisions, the net profit or the tax loss of each subsidiary company participating in the tax consolidation – together with the withholding taxes and the tax credits – are transferred to the parent company, upon which a single assessable charge or reportable tax loss is calculated (calculated based on the income/losses of the parent company and of the participating subsidiaries) and, consequently, a single tax payable/receivable calculated.

The Group companies which took part in the consolidation transferred therefore their assessable income to the parent company and recorded the consequent tax positions as receivables/payables with the company.

The changes in the consolidation scope did not result in a significant restitution of previous tax advantages obtained.

### **Effects of the national tax consolidation on the financial statements at December 31, 2010.**

The assessable Group IRES income tax estimated for the year 2010 presents a residual tax loss, net of the income transferred, of approx. Euro 663.7 million, including consolidation adjustments of Euro 4.2 million to take account of further deductions of interest expense pursuant to Article 96, paragraphs 5 *bis* and 7 of Presidential Decree No.917/1986.

With reference to 2010, receivables were recorded from the subsidiaries related to the transfer of the positive assessable income tax of Euro 5.4 million, while the receivables from the tax authorities transferred to the group and recorded in the accounts of the consolidating company against the payable to the subsidiaries amounted to Euro 5.3 million.

Finally, at the year-end the total amount of payables to subsidiaries for the income tax balance of 2009 and transfer of fiscal losses relating to the year 2010 amounted to Euro 115.6 million against a receivable from the Tax authorities of Euro 211.9 million.

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

In 2010, the agreement which governs uniform conditions for the tax consolidation of the Fondiaria-SAI Group were signed and/or updated with each of the participating companies.

The agreement was structured to ensure a balanced allocation of advantages deriving from inclusion in the tax consolidation: each consolidated company is recognised potential advantages which result in economic and tax effects which will at least be equivalent to non-inclusion in the consolidation. In relation to sub-holdings, equivalent advantages are guaranteed to those which would have been conferred by their direct subsidiaries through the option to participate in the group tax consolidation as a consolidating company.

The option has a duration of three years for each of the subscribing companies.

In 2010, the following companies were fully included:

Company	Period of tax agreement
MILANO ASSICURAZIONI S.p.A.	2010-2012
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.	2010-2012
LIGURIA VITA S.p.A.	2010-2012
SIAT S.p.A.	2010-2012
DIALOGO ASSICURAZIONI S.p.A.	2010-2012
EUROPA TUTELA GIUDIZIARIA S.p.A.	2010-2012
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	2010-2012
INCONTRA ASSICURAZIONI S.p.A.	2010-2012
PRONTO ASSISTANCE S.p.A.	2010-2012
BANCA SAI S.p.A.	2010-2012
SAI INVESTIMENTI S.G.R. S.p.A.	2010-2012
SAIFIN-SAIFINANZIARIA S.p.A.	2010-2012
SAI HOLDING ITALIA S.p.A.	2010-2012
EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l.	2010-2012
FINITALIA S.p.A.	2010-2012
SAI MERCATI MOBILIARI SIM S.p.A.	2010-2012
IMMOBILIARE LOMBARDA S.p.A.	2010-2012
CASCINE TRENNO S.r.l.	2010-2012
TRENNO OVEST S.r.l.	2010-2012
MERIDIANO PRIMO S.r.l.	2010-2012
MERIDIANO SECONDO S.r.l.	2010-2012
MERIDIANO BELLARMINO S.r.l.	2010-2012
MERIDIANO BRUZZANO S.r.l.	2010-2012
IMMOBILIARE LITORELLA S.r.l.	2010-2012
BRAMANTE S.r.l.	2010-2012
PONTORMO S.r.l.	2010-2012
IN.V.ED S.r.l.	2010-2012
MASACCIO S.r.l.	2010-2012
NUOVA IMPRESA EDIFICATRICE MODERNA (NIEM) S.r.l.	2010-2012
MIZAR S.r.l.	2010-2012
MARINA DI LOANO S.p.A.	2010-2012
RISTRUTTURAZIONI EDILI MODERNE (REDILMO) S.r.l.	2010-2012
CARPACCIO S.r.l.	2010-2012
NUOVE INIZIATIVE TOSCANE S.r.l.	2010-2012
VILLA RAGIONIERI S.r.l.	2010-2012
IMMOBILIARE FONDARIA-SAI S.r.l.	2010-2012
IMMOBILIARE MILANO ASSICURAZIONI S.r.l.	2010-2012
SAIAGRICOLA S.p.A.	2010-2012
COLPETRONE S.r.l.	2010-2012
SANTA MARIA DEL FICO S.r.l.	2010-2012
APB CAR SERVICE S.r.l.	2010-2012
CASA DI CURA VILLA DONATELLO S.p.A.	2010-2012
CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.	2010-2012
FLORENCE CENTRO CHIRURGIA AMBULATORIALE S.r.l.	2010-2012
DONATELLO DAY SURGERY S.r.l.	2010-2012
SOGEINT S.r.l.	2010-2012
GRUPPO FONDARIA-SAI SERVIZI S.c.r.l.	2010-2012
SERVICE GRUPPO FONDARIA-SAI S.r.l.	2010-2012
ATAHOTELS S.p.A.	2010-2012
SOCIETÀ EDILIZIA IMMOBILIARE SARDA - SEIS S.p.A.	2010-2012
SISTEMI SANITARI S.c.r.l.	2010-2012
ITALRESIDENCE S.r.l.	2010-2012
SAI NETWORK S.p.A.	2010-2012
STIMMA S.r.l.	2008-2010
INSEDIAMENTI AVANZATI NEL TERRITORIO S.p.A.	2008-2010
ATAVALUE S.r.l.	2008-2010
SINTESI SECONDA S.r.l.	2008-2010
CAMPO CARLO MAGNO S.p.A.	2009-2011
MERIDIANO AURORA S.r.l.	2009-2011
AUTO PRESTO & BENE S.p.A.	2009-2011
POPOLARE VITA S.p.A.	2009-2011

## INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS

The holdings of Directors, Statutory Auditors and General Managers and Key Management personnel in Fondiaria-SAI S.p.A. and in the listed subsidiary Milano Assicurazioni S.p.A. pursuant to Article 79 of CONSOB Resolution No. 11971 of May 5, 1999 are reported in the table below.

Investments held by spouses not legally separated and dependent children, directly or through subsidiary companies, trust or interposed persons are also shown.

Name	Company	Number of shares at 31/12/2009	Number of shares acquired	Number of shares sold	Number of shares at 31/12/2010
N. V. € 1					
<b><u>Directors:</u></b>					
CORSI Francesco	Fondiaria-SAI S.p.A.	5 a) ord.			5 a) ord.
LIGRESTI Giulia Maria	Fondiaria-SAI S.p.A.	1,500 b) ord.			1,500 b) ord.
LIGRESTI Gioacchino Paolo	Milano Ass.ni S.p.A.	86,956 a) ord.			86,956 a) ord.
LO VECCHIO Consolazione Lucia Lia	Milano Ass.ni S.p.A.	1,095 a) ord.			1,095 a) ord.
MARCHIONNI Fausto	Fondiaria-SAI S.p.A.	625 a) ord. 282 a) sav.			625 a) ord. 282 a) sav.
PINI Massimo	Fondiaria-SAI S.p.A.	4,500 a) ord.	1,750 a) ord.		6,250 a) ord.
	Milano Ass.ni S.p.A.	45,173 a) ord.			45,173 a) ord.
TALARICO Antonio	Fondiaria-SAI S.p.A.	9,385 a) ord.			9,385 a) ord.
		5,200 a) sav.			5,200 a) sav.
	Fondiaria-SAI S.p.A.	1,800 b) ord.			1,800 b) ord.
		1,000 b) sav.			1,000 b) sav.
	Milano Ass.ni S.p.A.	38,100 a) ord.			38,100 a) ord.

### **Key Executives**

Fondiaria-SAI S.p.A.	23 a) ord.	23 a) ord.
	1,000 a) sav.	1,000 a) sav.
Milano Ass.ni S.p.A.	33,500 a) ord.	33,500 a) ord.

*The other Directors and the members of the Board of Statutory Auditors do not hold any shares.*

- (a) shares held directly
- (b) shares held directly by spouses
- (c) shares held through subsidiaries

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## LITIGATION

### Actions by shareholders

Following the merger of La Fondiaria Assicurazioni S.p.A. and SAI S.p.A., a number of shareholders of the incorporated company Fondiaria Assicurazioni undertook against the Company and against Premafin and Mediobanca 12 proceedings for the fulfilment of the public purchase offer obligations, pursuant to **CONSOB** Regulation of December 2002.

All twelve proceedings were decided in first instance.

The 11 heard before the Milan Court had a negative outcome for the Company as were the others which were decided jointly, except for the proceeding in which judgement was requested only for Premafin and Mediobanca. The only proceeding heard before the Florence Court had a positive outcome.

Of the 11 proceedings decided by the Milan Court, 4 were radically reformed by the Milan Appeal Court which fully accepted the objections of the Company. Where these sentences were decided on the first hearing all sums paid were recovered.

Six proceedings initiated by the Company and the other defendants for the reform of a similar number of judgements issued by the Court of Milan are still pending with the Milan Court of Appeals.

Also a proceeding is pending with the Court of Appeals of Florence following the counterparty's appeal of the judgement that was issued by the Court of Florence in favour of the Company.

Three appeals are pending following other decisions of the Court of Appeals of Milan at the Superior Court. The fourth favourable sentence for the Company announced by the Milan court has so far not yet been brought to the Cassation Court by the counterparty.

The provisions for risks and charges in the financial statements are sufficient against the litigation in course.

### Tax Audits

In 2010, as in previous years, the Inland Revenue Department has carried out tax audits on Fondiaria-SAI and other Group Companies of a general nature. This activity is related to the assessment of declared income and, more in general, the establishment of taxes due, as well as the application of tax regulations both in relation to ordinary operations and in relation to specific extraordinary operations.

In relation to the results of these activities, Fondiaria-SAI and the subsidiaries have instituted reconciliation provisions or have disputes pending before the Tax Commission or the Cassation Court.

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In particular on December 29, 2010, the Parent Company and the subsidiary Milano Assicurazioni were notified relating to the 2005 tax year the following:

- first and second level assessments in relation to IRES and an appeal in relation to the relative penalties;
- an assessment in relation to IRAP and withholding taxes and a related appeal of the penalties for non-payment of withholding taxes;
- an assessment concerning the VAT appeal in relation to coinsurance.

In relation to Fondiaria-SAI, the tax assessment resulted from the report of October 7, 2010, following the general verification begun in April 2010 and relating to the tax periods between 2005 and 2008 by the Large Contributions Office of the Tuscany Inland Revenue Department.

The facts contained in these assessments refer essentially to operations concerning shares in listed companies in the dividend coupon periods and a debt security on which foreign tax credits arise and which centres substantially on the abuse of a provision, a court ruling which establishes the de-recognition of tax effects of these operations which were deemed to be carried out in order to evade applicable rules and regulations obtaining therefore tax advantages also in an unconstitutional manner.

It is highlighted that on the one hand the above stated operations were fully defensible in that they generated positive margins for the company and that the jurisprudence requires that the Tax Authorities must provide proof of intent of evasion, on the other, the direct tax effects which were generated, following the above stated operations, do not exclude all of the risks and the relative charges of the facts subject to the case.

The provisions established however are sufficient to cover the charges related to these facts and in relation to those which, according to prudent estimates, would relate to the tax periods not yet included in the above-stated assessments.

In relation to the assessments notified on December 28, 2009 to the subsidiary Milano Assicurazioni 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.

# CORPORATE GOVERNANCE REPORT AND SHAREHOLDER STRUCTURE IN ACCORDANCE WITH ARTICLE 123 BIS OF THE CONSOLIDATED FINANCE ACT

## a) Share capital structure

The subscribed and paid-in share capital is Euro 167,043,712.00.

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

	No. shares	% of share capital	Quoted on	Rights and obligations
Number of shares	124,482,490	74.52	MTA – BORSA ITALIANA S.p.A.	(*)
Savings shares	42,561,222	25.48	MTA – BORSA ITALIANA S.p.A.	(**)

(\*) Each Fondiaria-SAI S.p.A. ordinary share has the right to vote in the ordinary and extraordinary shareholders' meetings of Fondiaria-SAI S.p.A. On the distribution of the profits or on the liquidation of the company, the ordinary shares of Fondiaria-SAI 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 6 and 27 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 6.5% of the nominal value of the shares. Where the profits for the year do not permit a dividend of 6.5% 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 5.2% 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 capital until the entire nominal value of the savings shares has been reimbursed.

With reference to the Fondiaria-SAI 2006-2011 stock option plans in favour of the executive directors and management of Fondiaria-SAI, its subsidiaries and of the parent company for the purchase of savings shares of Fondiaria-SAI, reference should be made to the first part of the report, as well as the press release of the Company published on September 14, 2007.

## 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:

Shareholder	Direct shareholder	% held of ordinary capital	% held of voting capital
Premafin Finanziaria S.p.A. H.P.		53.191	47.075
	Premafin Finanziaria S.p.A. H.P.	37.567	42.474
	Milano Assicurazioni S.p.A. (*)	8.019	-
	Finadin S.p.A.	4.070	4.601
	Fondiaria-SAI S.p.A. (*)	2.571	-
	SAI Holding Italia S.p.A. (*)	0.964	-
Dimensional Fund Advisors L.P. (**)		2.091	2.364

(\*) excluded voting right pursuant to law

(\*\*) as manager of the individual and collective investment portfolios

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**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 Fondiaria-SAI 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**

Fondiaria-SAI signed bancassurance agreements with the Unicredit Group and with the Banco Popolare Group, which may be void in the case of change in control of Fondiaria-SAI.

The loan contracts signed by some direct or indirect subsidiaries (excluding Milano Assicurazioni) include the usual change of control clauses.

Other loan contracts signed by some of the subsidiaries provide 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.

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## **I) Nomination and replacement of the directors and changes to the by-laws**

### Appointment and replacement of directors

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 30, 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:

- 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;
- 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.



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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 Extraordinary Shareholders' Meeting of January 26, 2011, granted powers to the Board of Directors, in accordance with Article 2443 of the civil code, to undertake a paid-in divisible share capital increase, for a total maximum amount, including any share premium, of Euro 460 million through the issue of new ordinary and savings shares to be offered as options to shareholders.

We recall that:

1. The extraordinary shareholders' meeting of April 28, 2006 approved a share capital increase for a maximum amount of Euro 8,700,000 through the issue of a maximum of 8,700,000 savings shares of a nominal value of Euro 1.00 each, to be assigned to the executive directors of the Company, its subsidiaries and parent company, in accordance with the terms and conditions established by the Board of Directors, in compliance with the shareholders' meeting resolution and the provisions of law and regulations, as well as the by-laws, conferring to the Board of Directors the necessary powers to execute the above-mentioned shareholders' meeting resolution, in one or more tranches, for a maximum period of five years from the date of the resolution and, therefore, up to April 28, 2011.
2. The extraordinary shareholders' meeting of April 28, 2006 approved a further share capital increase for a maximum amount of Euro 6,249,400.00 through the issue of a maximum of 6,249,400 savings shares of a nominal value of Euro 1.00 each, to be assigned to the management of the Company, its subsidiaries and parent company, in accordance with the terms and conditions established by the Board of Directors, in compliance with the shareholders' meeting resolution and the provisions of law and regulations, as well as the by-laws, conferring to the Board of Directors the necessary powers to execute the above-mentioned shareholders' meeting resolution, in one or more tranches, for a maximum period of five years from the date of the resolution and, therefore, up to April 28, 2011.

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 23, 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 shareholders' meeting date, for a maximum increase, taking into account any sales in the period, of 250,000 ordinary and/or savings treasury shares of a nominal value of Euro 1.00 each, within a maximum amount of Euro 3,750,000, 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.

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With reference to the requirements of Article 123 bis, paragraph 2, letter A of the Consolidated Finance Act, we report that the Company complies with the Self-Governance Code for listed companies, prepared by the Committee for corporate governance issued by Borsa Italiana S.p.A. and subsequently revised by the Committee. The conduct code is available on the internet site [www.borsaitaliana.it](http://www.borsaitaliana.it).

## **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**

### **Introduction**

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 Fondiaria SAI, whose details are based on the requirements that the administrative and accounting procedures are part of a wider Internal Control System, whose responsibility lies with the Board of Directors (hereafter: the Management Model).

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

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

This system was drawn up based on the following pillars:

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

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

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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;

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- 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.58/98, 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.

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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.

In relation to the information required by article 123-bis, paragraph 2, letters C & D of the CFA, reference is made respectively to points 5) and 1) in the Second Section of the Corporate Governance Report.

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## Uncertainties 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. The disclosures required as per article 94 of the Finance Act on Private Insurance are provided below. In the notes in the relative paragraphs, adequate and exhaustive information is provided into the underlying reasons for the decisions taken and the valuations made. In order to provide reliable estimates and assumptions reference was made to historical experience, as well as other factors considered appropriate in the specific cases, based on 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 determination of the loss in value of investments;
- in the determination of the current value of financial assets and liabilities where they were not directly obtained from active markets. The elements of subjectivity relate to, in this case, in the choice of the valuation models or in the input parameters which may not be observable on the market;
- in the definition of the parameters utilised in the analytical valuations of non-current equity securities to evaluate the existence of any permanent loss in value. In particular reference is made to the choice of the valuation models and the principal assumptions and parameters utilised;
- in the estimate of the recovery of the deferred tax assets;
- in the quantification of provisions for risks and charges, for the uncertainty therein and of the time period;
- in the estimation processes determining the technical reserves of the Non-Life Division.

The 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, also to support the solvency margin and, as described in the Directors' Report, the outlook is positive.

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## **SIGNIFICANT EVENTS AFTER THE YEAR-END**

### **Resolution of the Extraordinary Shareholders' Meeting of Fondiaria-SAI of January 26, 2011**

The Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A. on January 26 conferred to the Board of Directors of the Company, in accordance with article 2443 of the Civil Code, the power to undertake a paid-in divisible share capital increase by December 31, 2011 for a total maximum amount, including any share premium, of Euro 460,000,000.00, through the issue of ordinary and saving shares to be offered as options to ordinary and saving shareholders in proportion to the number of shares held, while authorising the widest possible powers for the Board of Directors to establish, within the limits set out above, the terms and conditions of the share capital increase, including the number and issue price of the new shares.

The Board of Directors will have the power, subject to all legal necessary authorisations, to establish the terms and conditions for the share capital increase and its execution and therefore to establish, even in a relatively short time before the offer of options:

- the share issue price based on the theoretical ex-rights price of shares (TERP) of the Fondiaria-SAI share and calculated according to current accepted methodologies, discounted by the Board of Directors according to the market conditions at the time of the launch of the operation, on the performance of the Fondiaria-SAI share in the period preceding the launch;
- of the effective launch of the operation, as well as the market practices for similar transactions and the economic and financial performance of the Company;
- the exact number of shares to be issued and the relative number of options.

### **2011 budget and new organisational structure approved**

On January 27, 2011, the Board of Fondiaria-Sai S.p.A. reviewed and approved the new 2009-2011 Business Plan, previously announced to the financial community following the recent altered market conditions.

2011 total premiums of the Group are forecast at approx. Euro 12.5 billion – as follows:

- Non-Life - Euro 7.2 billion (of which Motor Euro 4.6 billion and Non-Motor Euro 2.6 billion);
- Life Division - Euro 5.3 billion.

The new budget guidelines take account of the recent initiatives taken to improve profitability, despite continued volatility in the general economic situation.

The Non-Life segment expects pre-tax breakeven to be reported although with a Combined Ratio, including other technical charges, at approx. 101%, while the Life segment forecasts pre-tax profits of approx. Euro 140 million. The Real Estate and Other Activities sectors expect continued losses.

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The net profit of the Group is forecast to exceed Euro 50 million. It should be noted however that these forecasts do not include extraordinary operations (with the exception of some real estate disposals already approved or those of an ordinary nature).

With full uptake of the share capital increase in the maximum amount approved by the Shareholders' Meeting of January 26, the Group solvency margin is expected to reach 120%, while the dividend policy at the year-end is still uncertain.

From a balance sheet viewpoint, the Group will continue to pursue the activities related to reducing the risk profile, balancing the asset allocation and whose cumulative effects should become evident from the current year.

The Board of Directors of Fondiaria-SAI S.p.A. also approved the new Group organisational structure which unites departments and responsibilities in order to establish greater efficiency.

### **Standard & Poor's revise rating to BBB- from BBB, maintaining the negative credit watch**

On March 9, 2011, the rating agency Standard & Poor's revised the rating of Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A. from BBB to BBB-.

Standard & Poor's considers that communicated by CONSOB in relation to the query from Groupama and reported to the market may increase uncertainties concerning the successful completion of the share capital increase of PremafinHP S.p.A. and consequently of Fondiaria-SAI S.p.A..

Standard & Poor's also considers that the further possible deterioration of the financial flexibility of Fondiaria-SAI S.p.A. caused by the 2010 operating performance and investment impairments will erode the capital base to a level no longer supportive of the rating enjoyed to this point.

Standard & Poor's maintains a negative CreditWatch for Fondiaria-SAI and Milano Assicurazioni in light of the continued uncertainties surrounding the successful completion of the share capital increase announced. However if more information supporting the share capital increase of Fondiaria-SAI S.p.A. is available within a month Standard & Poor's may remove the negative Creditwatch.



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## Premafin – Unicredit agreement and capitalisation programme of the Fondiaria-SAI Group

On March 22, 2011 Premafin Finanziaria S.p.A. – Holding di Partecipazioni communicated to Fondiaria-SAI S.p.A. and Milano Assicurazioni S.p.A. the reaching of an agreement with Unicredit (the “BANK”) and whose principal terms are summarised below (“THE AGREEMENT”):

### **Premafin**

The Agreement, based on confirmation by June 30, 2011 by CONSOB of the non-existence of Public Purchase Offer obligations on Fondiaria-SAI to prevent its execution and the attainment, also by the same date, of the necessary waivers in accordance with the loan contract signed between Premafin, Unicredit and the other financing banks on December 22, 2004, establishes that:

1. where the Board of Directors of Fondiaria-SAI approves, under the power delegated by the Shareholders’ Meeting of January 26, 2011, a share capital increase of Euro 450 million (“THE SHARE CAPITAL INCREASE OF Fondiaria-SAI”), the Bank will subscribe to an amount such as to hold - post-capital increase - 6.6% of the ordinary share capital (the “OBJECTIVE HOLDING” and, overall, the “SUBSCRIPTION COMMITMENT”).
2. Premafin will sell to the Bank a number of pre-emption rights such as to enable fulfilment of the Subscription Commitment.
3. The total investment of the Bank will be Euro 170 million, broken down as follows:
  - i. for the Subscription Commitment, an amount necessary to subscribe the Objective Holding at the issue price and;
  - ii. for the acquisition of the Premafin rights, an amount equal to the difference between Euro 170 million and the Investment for the Subscription Commitment.
4. Premafin will allocate the consideration received from the sale of subscription rights to the Fondiaria-SAI Share Capital Increase in an amount such as to maintain a direct and indirect holding of at least 35% in the ordinary share capital post-capital increase (hereafter the “PREMAFIN HOLDING”).

Premafin, at the Board of Directors’ meeting of March 22, approved, among other issues, the subscription to – in accordance with the terms and conditions established under the agreement with the Bank – the considered Fondiaria-SAI Share Capital Increase, in an amount such as to maintain a direct and indirect holding of at least 35% of the ordinary share capital post-capital increase.

### **Fondiaria-SAI**

Fondiaria-SAI in the Board of Directors meeting of March 22,

- noted the communication from Premafin in relation to the Agreement and the subscription commitment and the terms and conditions established in the agreement for the considered Fondiaria-SAI Share Capital Increase;
- considered the pertinent data of the draft 2010 financial statements of the subsidiary Milano Assicurazioni;

and approved among other issues:

- the supplementation to the Shareholders’ Meeting agenda of Milano Assicurazioni of April 27, regarding the elimination of the nominal value expressed of the ordinary and savings shares in circulation and the power granted to the Board of Directors, exercisable until December 31, 2011, to increase the share capital, through the issue of new ordinary and savings shares, to be offered as options to shareholders, for a maximum amount of Euro 350 million;

- 
- the commitment to exercise a number of pre-emption rights of the considered share capital increase of the subsidiary Milano Assicurazioni in an amount such as to maintain directly and indirectly, following the increase, a holding of at least 55% of the share capital, represented by ordinary shares, for a total investment today preliminarily estimated at Euro 150 million;
  - the signing of new pre-underwriting agreements with Credit Suisse Securities (Europe) Limited and UniCredit Bank A.G., as the Joint Global Coordinator and Joint Bookrunner, concerning the full subscription of any unsubscribed shares from the Fondiaria-SAI Share Capital Increase and therefore a commitment by Premafin and by the Bank to subscribe – under the terms and conditions established in the Agreement – to this increase. The commitments of UniCredit Bank A.G. contained in the pre-underwriting agreement are dependent on the approval of the Management Board and the Supervisory Board of UniCredit Bank A.G. in accordance with Art. 136 of the Banking Act. Credit Suisse Securities (Europe) Limited assumed until the above stated approval the guarantee for the entire maximum market risk of Euro 300 million. In the absence of approval, the contract will continue therefore between Fondiaria-SAI and Credit Suisse Securities (Europe) Limited for the entire maximum market risk of Euro 300 million.

#### **Milano Assicurazioni**

Milano Assicurazioni in the Board of Directors meeting of March 22,

- noted the communication from Premafin in relation to the Agreement and the subscription commitment and the terms and conditions established in the agreement for the considered Fondiaria-SAI Share Capital Increase;
- noted the commitment of the parent company Fondiaria-SAI to subscribe to the considered share capital increase of Milano Assicurazioni in an amount such as to maintain directly and indirectly, following the increase, a holding of at least 55% of the share capital, represented by ordinary shares, for a total investment today preliminarily estimated approx. Euro 150 million;
- approved the draft 2010 financial statements;

and approved among other issues:

- the supplementation of the Shareholders' Meeting agenda of April 27, regarding the elimination of the nominal value of the ordinary and savings shares in circulation and the power granted to the Board of Directors, exercisable until December 31, 2011, to increase the share capital, through the issue of new ordinary and savings shares, to be offered as options to shareholders, for a maximum amount of Euro 350 million;
- the Board of Directors report on the matters on the agenda of the Extraordinary Shareholders' Meeting of April 27;
- the signing of pre-underwriting agreements with Credit Suisse Securities (Europe) Limited and UniCredit Bank A.G., as Joint Global Coordinator and Joint Bookrunner, concerning the full subscription of any unsubscribed shares from the share capital increase of Milano Assicurazioni and the commitment undertaken by Fondiaria-SAI to subscribe to these shares in a manner such as to maintain a holding directly and indirectly of at least 55% of the share capital post-capital increase for a total investment today preliminarily estimated at approx. Euro 150 million. The commitments of UniCredit Bank A.G. contained in the pre-underwriting agreement are dependent on the approval of the Management Board and the Supervisory Board of UniCredit Bank A.G. in accordance with Art. 136 of the Banking Act. Credit Suisse Securities (Europe) Limited assumed until the above stated approval the guarantee for the entire maximum market risk of Euro 200 million. In the absence of approval, the contract will continue therefore between Milano Assicurazioni and Credit Suisse Securities (Europe) for the entire maximum market risk of Euro 200 million.

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## **Conclusions**

These resolutions therefore provide the foundation for an important capitalisation programme for the companies of the Fondiaria-SAI Group (“the Group”) which will result in an overall increase on the December 31, 2010 Adjusted Solvency Margin (Solvency I) of Fondiaria-SAI of approx. 30 percentage points.

The Agreement reached, and the consequent impact on the share capital of Fondiaria-SAI and Milano Assicurazioni, will strengthen the capital base of the third largest Italian insurance group (Euro 13 billion premiums, 9 million customers – over 10,000 collaborators between employees and agents) within a very difficult Motor TPL and financial market situation, caused by an extensive global crisis and compounded by domestic issues within the sector.

The Agreement guarantees therefore for the Group – and for the protection of all policyholders and shareholders – the maintenance of strong solvency ratios, also in view of the more stringent requirements which will be introduced in 2012 by the European regulation concerning the solvency of insurance companies (so-called Solvency II), maintaining also the current shareholder structure of the Premafin—Fondiaria-SAI – Milano Assicurazioni Group.

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## OUTLOOK

2010 was significantly affected by the economic crisis and the poor industrial results in the Non-Life sector. Fondiaria-SAI was significantly affected in the year by the unfavourable conditions within the sector which could not be offset by the introduction of focused portfolio reform actions and a more selective underwriting policy, with the introduction also of organisational and procedural improvements to reduce settlement times and to contain the average claims cost.

Within an overall economic and financial scenario which continues to be unstable, the first positive signals in relation to the technical performance have emerged, confirming the effectiveness of the actions undertaken to cut operating costs, recover profitability and strengthen the capital base.

The initiatives to be taken in the coming months reflect the new Fondiaria-Sai strategy, recently set out and communicated to the market by the new Chief Executive Officer. The challenge for the Company in 2011 is to utilise all available resources to improve upon the objectives set out in the recent update to the 2011 Guidelines.

For this reason a new organisational structure was introduced at the beginning of the year with the goal to improve on the forecast results for the various business areas, with particular attention on operating costs through a more selective resource allocation plan and with the elimination of non-essential services.

Fondiaria-SAI is entirely committed to regain profitability and to strengthen the capital structure through a first phase which will focus strongly on the recovery of the solvency margin, on the core business, the real estate sector, on the diversified activities and on operating costs.

In relation to the recovery of the solvency margin, together with a share capital increase the sale of insurance, real estate and diversified activities assets will also be considered. The Company will furthermore focus on an internal reorganisation which will reduce capital needs and consequently costs.

Concerning the core business, the Non-Life Division confirms its primary objective of a recovery of profitability. Fondiaria-SAI will focus also on the development of the retail sector through a new offer system focused on technical insurance and product innovation.

Such innovation will focus on fully realising the potential of the products and services already in portfolio, with further emphasis on the training of the Networks and the development of communication centred on educating the customer base on the strength of the Company offer.

An optimisation plan of the portfolio to improve the solvency and the global mix of investments will be implemented by the real estate sector. Finally, after establishing the competitive position, the necessary actions needed to develop the diversified activities of highest potential will be evaluated.

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The tragic natural events in Japan and the recent uprisings in the Middle East and North Africa, together with the excessive market volatility and the turbulent currency markets have caused further uncertainties regarding the stability of the world economies. The hopes for economic recovery are threatened also by rises in the prices of raw materials, with the outlook for the oil markets remaining somewhat uncertain, and in addition, further pressures have been placed on food prices as a direct result of the earthquake and tsunami in Japan.

*Milan, March 23, 2011*

*For the Board of Directors  
The Chairman*

Ms. JONELLA LIGRESTI

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## **Proposals to the Shareholders' AGM**

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## PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING

### Allocation of the result for the year

Dear Shareholders,

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 636,407,745.07 – comprising a loss of Euro 142,329,080.22 in the Life Division and a loss of Euro 494,078,664.85 in the Non-Life Division.

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

<i>Amounts stated in Euro</i>	<b>Life Division</b>	<b>Non-Life Division</b>	<b>Total</b>
<b>Loss for the year</b>	(142,329,080,22)	(494,078,664,85)	(636,407,745,07)
Utilisation of the Non-Life Division extraordinary reserve to fully cover the loss in the Non-Life Division		494,078,664,85	494,078,664,85
Utilisation of the Life Division extraordinary reserve to partially cover the loss in the Life Division	126,220,527,22		126,220,527,22
Utilisation of the share swap merger reserve of the Life Division to cover the residual loss in the Life Division	16,108,553,00		16,108,553,00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

### Resolutions concerning the composition of the Board of Directors following the resignation from office of Ms. Lia Lo Vecchio.

Ms. Lia Lo Vecchio resigned her position with effect from January 1, 2011.

On January 27, 2011, the Board appointed Mr. Emanuele Erbetta as a director in replacement of Ms. Lo Vecchio. On the same date, the Board, noting the resignation of Mr. Fausto Marchionni from the position of Chief Executive Officer, appointed Mr. Erbetta as his replacement.

As - in accordance with law - the appointment of Mr. Erbetta expires at the next shareholders' meeting, you are therefore called to undertake the necessary resolutions.

We propose in this regard to appoint Mr. Emanuele Erbetta to the position of director; we attach his profile.

We remind you that, in accordance with Article 13 of the company by-laws, as it is necessary to replace an elected director through the same slate presented, the appointment will be made through voting without slates.



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## **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 3,200,000 treasury shares (equal to 1.916% of the entire share capital) - all ordinary shares (2.571% of the ordinary share capital).

In addition, also at the date of the present report, the subsidiary Milano Assicurazioni S.p.A. holds a further 9,982,557 ordinary shares of the Company, equal to 8.019% of the ordinary share capital and 5.976 % of the entire share capital, as well as the subsidiary SAI HOLDING ITALIA S.p.A. holding 1,200,000 ordinary shares of the Company, equal to 0.964% of the ordinary share capital and 0.718% of the entire share capital.

The average unit carrying value of the ordinary shares held by the Company is Euro 6.327. The official market price of the ordinary shares on March 22, 2011 was Euro 6.6873.

On April 23 2009, the twelve-month period fixed by the Shareholders' Meeting of the Company of April 23, 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 250,000 ordinary and/or saving shares of a nominal amount of Euro 1.00 each, within the maximum amount of Euro 2,500,000 million, 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.

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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 23, 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 2,500,000 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.

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## **Resolutions on the shares of the 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 18,340,027 ordinary shares of the parent company Premafin Finanziaria S.p.A. - Holding di Partecipazioni (hereafter: Premafin) equal to 4.469% of the share capital. In addition, also at the date of the present report, the subsidiary Milano Assicurazioni S.p.A. holds 9,157,710 further ordinary shares in Premafin, equal to 2.232% of the share capital, and the subsidiary SAIFIN SAIFINANZIARIA S.p.A. holds 66,588 ordinary shares of Premafin, equal to 0.016% of the share capital.

The average unitary carrying value of the ordinary shares of the parent company Premafin held by the Company is Euro 0.769. The official market price of the share at March 22, 2011 was Euro 0.6141.

On April 23, 2008, the twelve-month period fixed by the Shareholders' Meeting of the Company of April 23, 2010 for the purchase and sale of shares of the holding company Premafin terminates.

We propose to authorise, in accordance with article 2359 bis of the civil code, further purchases of shares of the holding company PREMAFIN 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 shares of the holding company Premafin currently held in portfolio, as well as those purchased following the resolution of the Shareholders' Meeting resolution.

The request of renewal of the authorisation to purchase and sell shares of the 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 CONOSB 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 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 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.

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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 announced 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 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 23, 2009 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 holding company 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.

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## **Corporate Governance**

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## **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 Code, describing the actions already implemented 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 organisational and strategic direction of the Company and the Group, 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 30, 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 14 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.

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In accordance with these statutory provisions, the Board attributed special powers to the Chairman and to the Chief Executive Officer.

The functions, powers and responsibilities of the Board of Directors, of the Executive Committee and of the Chairman 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 Premafin Finanziaria - Holding di Partecipazioni S.p.A. pursuant to article 2359, paragraphs 1 and 2 of the civil code.

Fonditaria-SAI is not aware of shareholder agreements relating to holdings in the share capital of the Company.

## 3) **Management and control**

The Company is not subject to management and coordination pursuant to article 2497 of the civil code. The company however undertakes management and coordination in accordance with the regulations cited in relation to its subsidiaries, including Milano Assicurazioni and its direct subsidiaries.

The Company has also created rules of conduct 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 Fonditaria-SAI on some operations relating to subsidiary companies, considered significant based on the nature of the operation or the amount.

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## 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 the Group which the Company heads, the corporate governance of the Company and the structure of the Group. In relation to the boards of the individual subsidiaries, the Board of Directors determines, on the proposal of the Chief Executive Officer, the industrial strategies of the Group;
- 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, 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 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.

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 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.



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The Board of Directors annually approves the work plan of the Group Audit function.

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 was amended in comparison to December 31, 2010 following the appointment of Mr. Emanuele Erbetta in replacement of the resigning Ms. Lia Lo Vechhio and the appointment of Mr. Erbetta as Chief Executive Officer following the resignation from office of Mr. Fausto Marchionni and comprises currently of 19 members - as indicated in the relevant section of the present chapter. The current mandate expires with the shareholders' meeting for the approval of the annual accounts for the year 2011.

The appointment of the directors was deliberated at the Shareholders' AGM of April 24, 2009 on the proposal of the only slate by the majority shareholder.

We recall that the Board of Directors appointed Mr. Salvatore Ligresti as 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, currently composed of 7 members, its powers, with the exclusion of those which by law or regulation may not be delegated, and also those concerning all decisions in relation to transactions 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 7 members, amongst which are the Chairman, three Vice Chairmen and the Chief Executive Officer. The current board has changed in comparison to December 31, 2010 following the entry of Mr. Emanuele Erbetta in place of Mr. Fausto Marchionni, due to the above stated rotation between the two of the office of Chief Executive Officer.

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#### 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 14 of the by-laws, are attributed by the Board.

Currently, the Board of Directors has delegated to the Chairman and to the 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 15 million for each operation;
- sale and/or purchase of investments of a value above Euro 30 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 above.

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.

The delegated boards (executive directors and Executive Committee) also 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.

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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. The Chairman normally exercises these powers only in the case of necessity or urgency, in the absence or impediment of the Chief Executive Officer, or - in any case - when particular circumstances render it necessary.

1.6) Duty conferment to the office of Vice Chairman

The Board of Directors in the meeting of February 22, 2011, approved the conferment to the Vice Chairman Mr. Massimo Pini, the duty, with consultative functions, to oversee the strategic coordination of the activities of the Group companies and their unified focus on the strategic objectives of the Group as established by the Board of Directors of Fondiaria-SAI, utilising the Group and company structures, together with the Chief Executive Officer and subject to his approval.

The Vice Chairman Mr. Pini periodically reports to the Board of Directors, with prior consultation with the Chief Executive Officer, in relation to the most significant events and initiatives, proposing to the Board any direct actions to improve and render more efficient the Group coordination activities.

1.7) 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 16 times, with an average duration of the meeting of two hours;
- the Executive Committee met 2 times, with an average meeting duration of 40 minutes.

It is expected that a similar number of meetings will take place in 2011. At the date of the present report, 2 Board of Directors meetings had been held in 2011 and no Executive Committee meetings had been held.

1.8) Non-executive and independent directors

In addition to the Chairman and the Chief Executive Officer - holders, as reported, of delegated powers for the management of the Company attributed to them by the Board - the Vice Chairman Antonio Talarico is also to be considered an executive director, as holder of operational powers and/or directional functions in subsidiary companies operating in the real estate sector and, among these, in the 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 Director 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.

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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. Andrea Brogginì, Mr. Maurizio Comoli, Ms. Valentina Marocco, Mr. Enzo Mei, Mr. Giuseppe Morbidelli and Mr. Cosimo Rucellai. These directors, in fact, are not in the situations indicated by the Code where their position is not compatible with that of an independent director.

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 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. The directors stated as independent were held to be in compliance with the requirements of the Code. 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 totality of professional activities of the interested parties.

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

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. 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.

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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 and Chief Executive Officer ensure that the Board is also informed on the principal new legislation and regulations relating to the Company and corporate bodies.

1.9) Appointments of the directors in other companies

Pursuant to the Code, the list of the positions of director or statutory auditor held at March 23, 2011 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:

**Jonella LIGRESTI**

Chairman of:	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. MILANO ASSICURAZIONI S.p.A. RCS MediaGroup S.p.A.

**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.
Chief Executive Officer of:	SAI HOLDING ITALIA S.p.A.
Director of:	FINADIN S.p.A. Finanziaria di Investimenti MILANO ASSICURAZIONI S.p.A. PIRELLI & C. S.p.A. SAILUX S.A. SAINTERNATIONAL S.A.

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**Massimo PINI**

Chairman of: Shareholder Agreement - GEMINA S.p.A.

Vice Chairman of: ADR S.p.A.  
IMMOBILIARE LOMBARDA S.p.A.

Director of: FINADIN S.p.A. Finanziaria di Investimenti  
MILANO ASSICURAZIONI S.p.A.

Management Board member of: Shareholder agreement - RCS

**Antonio TALARICO**

Chairman of: FINADIN S.p.A. Finanziaria di Investimenti  
MARINA DI LOANO S.p.A.  
SAIAGRICOLA S.p.A.

Vice Chairman of: IMPREGILO S.p.A.

Chief Executive Officer of: IMMOBILIARE LOMBARDA S.p.A.

Director of: ATAHOTELS S.p.A.  
IGLI S.p.A.  
MILANO ASSICURAZIONI S.p.A.  
SAI INVESTIMENTI SGR S.p.A.

**Emanuele ERBETTA**

Chairman and  
Chief Executive Officer of: MILANO ASSICURAZIONI S.p.A.

Chairman of: BANCASAI S.p.A.  
EUROSAI S.r.l.  
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.

Vice Chairman of: SISTEMI SANITARI S.c.r.l.

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.

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**Andrea BROGGINI**

Director of: FASTWEB S.p.A.  
FEDERAZIONE DELLE COOP. MIGROS  
KASTOR AG  
KNORR-BREMSE Systeme für Schienenfahrzeuge GmbH  
MARCH LIMITED  
POLLUX FUNDS AG

**Maurizio COMOLI**

Vice Chairman of the  
Supervisory Board of: BANCO POPOLARE S.c.a.r.l.

Chairman of the  
Board of Statutory Auditors: BASTOGI S.p.A.  
MIRATO S.p.A.

Statutory Auditor: BRIOSCHI Sviluppo Immobiliare S.p.A.  
LORO PIANA S.p.A.

**Francesco CORSI**

Does not hold any offices in listed companies, including abroad, in financial, banking and insurance companies or of significant size.

**Carlo d'URSO**

Vice Chairman of: IMMSI S.p.A.

Director of: CHE BANCA! S.p.A.  
F.C.INTERNAZIONALE MILANO S.p.A.  
GRUPPO BANCA LEONARDO S.p.A.  
PREMAFIN FINANZIARIA S.p.A.  
STILO IMMOBILIARE FINANZIARIA S.r.l.

**Vincenzo LA RUSSA**

Director of: METROPOLITANA MILANESE S.p.A.

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**Gioacchino Paolo LIGRESTI**

Chairman of: IMMOBILIARE LOMBARDA S.p.A.  
S.R.P. 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.  
BANCASAI S.p.A.  
MILANO ASSICURAZIONI 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.  
GILLI S.r.l.  
MILAN A.C.  
SAI HOLDING ITALIA S.p.A.  
SAILUX S.A.  
SAINTERNATIONAL S.A.  
SAINTERNATIONAL LUGANO BRANCH S.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.  
ANIA (indennizzo diretto RC Auto)  
ASSONIME Associazione fra le società italiane per azioni  
DDOR-Novis Sad  
IRSA  
HINES ITALIA SGR S.p.A.  
MILANO ASSICURAZIONI S.p.A.

Management Board member of: Shareholder Agreement shares in PIRELLI & C. S.p.A.



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**Valentina MAROCCO**

Does not hold any offices in listed companies, including abroad, in financial, banking and insurance companies or of significant size.

**Enzo MEI**

Chief Executive Officer of: GENERAL SERVICE ITALIA S.p.A.

Director of: AEROPORTI DI ROMA S.p.A.  
BEE TEAM S.p.A.  
LA MAGONA S.r.l.  
VIGEST S.r.l.

**Giuseppe MORBIDELLI**

Director of: BANCA CR FIRENZE S.p.A.

**Cosimo RUCELLAI**

Vice Chairman of: MILANO ASSICURAZIONI S.p.A.

Director of: ESSELUNGA S.p.A.  
SUPERMARKETS ITALIANI S.p.A.

**Salvatore SPINIELLO**

Chairman of the Board  
of Directors of: CAMPO CARLO MAGNO S.p.A.

General representative of the  
saving shareholders of: RCS MEDIAGROUP S.p.A.

Sole Director of: G.B. & CO S.R.L.  
G.B.H. S.P.A.

Chairman of the  
Board of Statutory Auditors: AIMING S.p.A.  
EMITTENTI TITOLI S.p.A.  
GRANDI LAVORI FINCOSIT S.p.A.  
TA.RO. S.p.A.

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Statutory Auditor: ASG S.c.a.r..  
BIT MARKET SERVICE S.p.A.  
M.S.M.C. IMMOBILIARE DUE S.r.l.  
PRO MAC S.p.A.  
TELECOM ITALIA S.p.A.  
TI MEDIA S.p.A.

**Sergio VIGLIANISI**

Does not hold any offices in listed companies, including abroad, in financial, banking and insurance companies or of significant size.

**Graziano VISENTIN**

Director of: 21 INVESTIMENTI SGR S.p.A.  
AIVE S.p.A.  
ALERION CLEAN POWER S.p.A.  
BANCASAI S.p.A.  
INDUSTRIA E INNOVAZIONE S.p.A.  
PREMAFIN FINANZIARIA S.p.A.  
STEFANEL S.p.A.

Chairman of the  
Board of Statutory Auditors: CREDIT AGRICOLE VITA S.p.A.  
RGI S.p.A.  
SINERGIE ITALIANE S.p.A.

Statutory Auditor: ALITALIA S.p.A.  
COIN S.p.A.  
EUROSTAZIONI S.p.A.  
FIN PRIV S.r.l.  
FINANZIARIA COIN S.r.l.  
FONDI ALLEANZA Sgr S.p.A.  
HINES ITALIA SGR S.p.A.  
INA ASSITALIA S.p.A.  
ISTITUTO EUROPEO ONCOLOGIA S.r.l.  
OVIESSE S.p.A.  
SCHEMAQUATTORDICI S.p.A.  
UPIM S.r.l.

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.

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On the outcome of this valuation, the Board considers that the number of offices of director and/or statutory auditor held by the Directors in other companies is compatible with an efficient undertaking of the position in the Board of Directors of Fondiaria-SAI, 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.

1.10) 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 sufficiently concentrated and 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 24, 2009 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 30, 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.

Shareholders may present a slate, 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, alternatively, by Law or by CONSOB. At the shareholders' meeting of April 24, 2009 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.

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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 CONOSB communication No. DEM/9017893 of February 26, 2009.

#### 1.11) Director remuneration

The remuneration of directors is decided by the Board pursuant to article 2389 of the civil code, with the favourable opinion of the Board of Statutory Auditors and with the abstention of the party concerned, and with the prior favourable approval of the Remuneration Committee as per point 1.13) below.

The Board also in 2010 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 without just 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.

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#### 1.12) Stock options plans

On July 14, 2006, the Board of Directors of Fondiaria-SAI agreed to assign the options of the 2006-2011 stock option plan in favour of executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company Premafin Finanziaria, for the acquisition of saving shares of Fondiaria-SAI.

The assignment by the Board was made in execution of the extraordinary shareholders' meeting resolution of Fondiaria-SAI of April 28, 2006. In relation to the executive directors, a total of 8,700,000 options were assigned in favour of the parties and in accordance with the quantities approved by the above-mentioned shareholders' meeting. In relation to the management, the stock option plan relates to 75% of the executives in service in the Group, totalling 6,300,000 options. 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 for execution of the resolution by the Board of Directors is established at April 28, 2011.

The exercise of the stock options by beneficiaries is summarised in the relevant table of the current financial statements.

With regard to the executive directors, it was intended to create – in principle - 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 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.

#### 1.13) Remuneration Committee

Also taking into account the adoption of the above-mentioned stock option plans, the Board of Directors of Fondiaria-SAI from March 2007 appointed a Remuneration Committee, which has the following functions, with reference also to the subsidiary companies:

- 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 executive directors 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.

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On the approval of the procedures for transactions with related parties, subject to point 1.14 which follows, the Board of Directors identified within the Remuneration Committee, where their composition complies with CONSOB Regulation adopted with resolution No. 17221 of March 2010, the committee of independent directors called to express their prior opinion on the resolutions (other than that undertaken by the shareholders' meeting or the Board of Directors concerning a total amount established in advance by the shareholders' meeting) concerning the remuneration of Company directors, also in relation to any other offices held or offices in subsidiary companies.

Since October 26, 2010, the Remuneration Committee has comprised three directors, non-executive and the majority of which independent, in the persons of Mr. Enzo Mei, Prof. Giuseppe Morbidelli and Mr. Graziano Visentin.

In 2010, the Committee did not meet. During 2011, the Committee has met twice to date.

1.14) Significant transactions with related parties

The Board of Directors approved specific conduct principles for the undertaking of significant transactions and transactions with related parties, including inter-company transactions. 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 and to the Chief Executive Officer of specific powers described previously with the identification of the value limits, the Board of Directors of Fondiaria-SAI 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 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;

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- b) They are 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 and Chief Executive Officer, any 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 parent company and parties controlled by this latter, 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 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 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.

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

On November 30, 2010, the Board of Directors of Fondiaria-SAI 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).

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In approving the above-stated resolution, the Board of Directors took account of the unanimous approval of the steering committee comprising exclusively independent directors previously appointed by the Board in the persons of Mr. Comoli, Mr. Mei and Mr. Morbidelli, to examine the procedures in question and to draw up an 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 parent company Premafin Finanziaria or related parties to this latter which in turn are related to the Company. The significance threshold is reduced to 2.5% also for transactions between Fondiaria-SAI and Milano Assicurazioni or for each of them with parties which are related to both companies.

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.



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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 relation to these latter, also below the thresholds established for less significant transactions, subsidiary companies subject to direction and control (excluding the listed subsidiary Milano Assicurazioni) must obtain the consent of the Board of Directors of Fondiaria-SAI when transactions with related parties above the significance threshold indicated in the procedures are undertaken.

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 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 24, 2009, when only one slate was presented by shareholders, within the terms established by the by-laws. This slate obtained the majority of the votes at the 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 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.

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.

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In 2010, the Board of Statutory Auditors met 24 times with an average duration of two hours. It is expected that a similar number of meetings will take place in 2010. Currently, the Board of Statutory Auditors has met four times in 2011.

## 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 accept their candidature and certify the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate and the offices held in other companies.

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, alternatively, by Law or by CONSOB. At the shareholders' meeting of April 24, 2009 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 CONOSB 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:

### **Antonino D'AMBROSIO**

Statutory Auditor: PREMAFIN FINANZIARIA S.p.A.

### **Marco SPADACINI**

Director of: A. MONDADORI EDITORE S.p.A.

Director of  
Supervisory Board: INTESA SAN PAOLO S.p.A.

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Chairman of the Board  
of Statutory Auditors :

ATLANTIA S.p.A.

The Chairman of the Board of Statutory Auditors, Mr. Benito Giovanni MARINO, does not currently hold 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.

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### 3.2.2) *Group Risk Management Department*

The monitoring of risks is covered by the Group Risk Management department, with the duties 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 Fondiaria-SAI and its subsidiaries.

In February 2009, the Board of Directors of the Company approved the guidelines for the management of risks and for the carrying out of the decisional process relating to the new investments (so-called Group Risk Policy), with the following principal objectives:

- formalise the Risk Governance of the Group;
- to set out the principles and structures of the Enterprise Risk Management (ERM) 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 current 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.

The Board of Directors of each of the Group companies has been requested to adopt the document and to set out its operating limits accordingly or establish whether the structure of the limits defined is appropriate, taking account of its own idiosyncrasies and possible restrictions in relation to risk tolerance.

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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.

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 internal use, 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 and of the Group 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 Fondiaria-SAI and its subsidiaries.

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

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.

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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, reporting to the Chief Executive Officer of Fondiaria-SAI and functionally to the Board of Directors of Fondiaria-SAI and its subsidiaries. The Audit activities also extend to the business processes of Fondiaria-SAI and of Group companies (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 Fondiaria-SAI and of the other insurance companies of the Group. 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 Fondiaria-SAI and its subsidiaries.

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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 Audit function 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 and communication technology (ICT) plan, 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 Mr. Enzo Mei, Mr. Salvatore Spiniello and Mr. Maurizio Comoli. This latter 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 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;

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- d. Assist the Board, in relation to the application of law No. 262/2005, 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 homogeneity 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 1.14, 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.



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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 18 times, with an average duration of the meetings of 1 hour 15 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 Executive Responsible and taking into account the considerations of the audit firm, 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 at December 31, 2009;
- that the governance rules adopted by the Company, to the current knowledge of the Committee, have been complied with and that the report prepared in accordance with the current regulatory provisions was prepared in line with the recommendations supplied by ASSONIME ed EMITTENTI TITOLI S.p.A., taking into account the recommendations of the Self-Governance Code 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 of a subsequent meeting before 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) Executive in charge of the preparation of corporate accounting documents

The Board of Directors' meeting of April 24, 2009 appointed the Executive Responsible as Mr. Pier Giorgio Bedogni, Deputy General Manager of the Company, among others, and responsible for the Administration Department.

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".

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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 organisational, management and control Model pursuant to Legislative Decree 231/2001 mentioned above, although not obligatory, may constitute a valid instrument in informing all employees of Fondiaria-SAI 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.

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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 approved the Ethical Code of the Company, which recalls the fact that, in the undertaking of its activities, Fondiaria-SAI believes fully in the criteria of transparency and correctness, in compliance with law and in the interests of all stakeholders.

#### **4) Independent Auditors**

The ordinary Shareholders' Meeting of April 23, 2010 appointed the audit firm Reconta Ernst & Young S.p.A. auditors for the parent company and consolidated financial statements for the years 2010 to 2018 and the limited audit on the half-year report at June 30 from 2010 to 2018. These appointments conclude on the Shareholders' approval of the accounts as at December 31, 2018.

Within the Group, the audit was appointed for some subsidiaries to the audit firm Deloitte & Touche S.p.A.

#### **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.

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5.2) General representative of the saving shareholders

The Special Shareholders' Meeting of Savings Shareholders of April 23, 2010 appointed Mr. Sandro Quagliotti Common Representative of the Savings Shareholders for the years 2010/2011/2012 and, therefore, until the approval of the financial statements as at December 31, 2012.

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 and the 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 011/6657.642 and/or at the e-mail address [investorrelations@fondiaria-sai.it](mailto: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 Chief Executive Officer. The executives and the employees of the Company and its subsidiaries 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 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.

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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, a procedure is also 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 in a manner 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 (a)		Executive Committee	
Office	Members	Executive	Non-executives	Independent as per Self-Gov. Code	***	Number of offices held *	**	***	**	***	**	***	**	***
Chairman	Jonella LIGRESTI	X			100%	9							X	100%
Vice Chairman	Giulia Maria LIGRESTI		X		94%	9							X	50%
Vice Chairman	Massimo PINI		X		94%	6							X	100%
Vice Chairman	Antonio TALARICO	X			100%	9							X	100%
Chief Executive Officer	Fausto MARCHIONNI (1)	X			100%	15			X (4)				X	50%
Director	Andrea BROGGINI		X	X	75%	6								
Director	Maurizio COMOLI		X	X	81%	5	X	100%						
Director	Francesco CORSI		X		94%	0								
Director	Carlo d'URSO		X		69%	6								
Director	Vincenzo LA RUSSA		X		87%	1							X	100%
Director	Gioacchino Paolo LIGRESTI	X			87%	19							X	100%
Director	Lia LO VECCHIO (2)		X		75%	2								
Director	Valentina MAROCCO		X	X	100%	0								
Director	Enzo MEI		X	X	87%	5	X	83%	X					
Director	Giuseppe MORBIDELLI		X	X	81%	1			X (5)					
Director	Cosimo RUCELLAI		X	X	100%	3			X (4)					
Director	Salvatore SPINIELLO		X		94%	14	X	78%						
Director	Sergio VIGLIANISI		X		94%	0								
Director	Graziano VISENTIN (3)		X		85%	22			X (5)					

(1) 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 Officer.

(2) From 1/1/2011 Ms. Lia Lo Vecchio resigned from office.

(3) In office from 23/04/2010

(4) In office until 26/10/2010

(5) In office from 26/10/2010

a) Reasons for non-establishment of a Committee:			
The ownership of the Company is sufficiently concentrated and there have not been any difficulties by the shareholders to prepare proposals for nomination			
Number of meetings held in the year	Board of Directors: 16	Internal Control Committee: 18	Executive Committee: 2
	Remuneration Committee: 0		

**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 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 attendance of the Director compared to the number of BoD and Committee meetings.

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Office	Members	Percentage of participation at Board meetings	Number of other offices held *
<b>Chairman</b>	Giovanni Benito MARINO	100%	-
<b>Statutory Auditor</b>	Antonino D'AMBROSIO	96%	1
<b>Statutory Auditor</b>	Marco SPADACINI	96%	3
<b>Alternate Auditor</b>	Alessandro MALERBA		
<b>Alternate Auditor</b>	Maria Luisa MOSCONI		
<b>Alternate Auditor</b>	Rossella PORFIDO		
Number of meetings held in the year: 24			
Indicate the 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 offices held as director or statutory auditor in other listed companies in regulated Italian markets. The report on corporate governance indicates all offices held.

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
<b><i>Powers delegated and transactions with related parties</i></b>			
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		
<b><i>Procedures for the most recent appointment of directors and statutory auditors</i></b>			
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		
<b><i>Shareholders' Meetings</i></b>			
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.
<b><i>Internal Audit</i></b>			
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
<b><i>Investor relations</i></b>			
Has the company appointed an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations			Investor Relations Departement - Corso G. Galilei, 12 TORINO Tel. 011/6657.642 e-mail: <a href="mailto:investorrelations@fondiaria-sai.it">investorrelations@fondiaria-sai.it</a>



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# **2010 Financial Statements**

## **Balance Sheet**

## **and Income Statement**

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## BALANCE SHEET

## ASSETS

				Current year	
A. RECEIVABLES FROM SHAREHOLDERS FOR UNPAID CAPITAL					0
of which called in	2	0			
B. INTANGIBLE ASSETS					
1. Acquisition commissions to be amortised					
a) life division	3	0			
b) non-life division	4	0	5	0	
2. Other acquisition expenses			6	0	
3. Formation, start-up and similar costs			7	2,700,000	
4. Goodwill			8	169,028,726	
5. Other long-term deferred costs			9	210,724	10
					171,939,450
C. INVESTMENTS					
I - Land and buildings					
1. Property used for business activities			11	9,489,187	
2. Property used by third parties			12	1,121,709,879	
3. Other buildings			13	18,682,162	
4. Other rights			14	4,922,448	
5. Assets in progress and payments on account			15	2,808,481	16
					1,157,612,157
II - Investments in group companies and in other holdings					
1. Shares and holdings in companies					
a) holding companies	17	14,107,149			
b) subsidiaries	18	3,470,821,572			
c) group companies	19	0			
d) associated companies	20	37,527,656			
e) other	21	85,777,702	22	3,608,234,079	
2. Bonds issued by					
a) holding companies	23	0			
b) subsidiaries	24	32,112,993			
c) group companies	25	0			
d) associated companies	26	0			
e) other	27	18,180,000	28	50,292,993	
3. Loans to					
a) holding companies	29	0			
b) subsidiaries	30	3,051,822			
c) group companies	31	0			
d) associated companies	32	0			
e) other	33	149,999	34	3,201,821	35
					3,661,728,893
to carry forward					171,939,450

Previous year			
			181 0
	182 0		
183 49,000			
184 0	185 49,000		
	186 0		
	187 4,050,000		
	188 217,685,578		
	189 132,734	190 221,917,312	
	191 30,183,875		
	192 1,107,156,452		
	193 18,671,343		
	194 4,916,228		
	195 2,830,183	196 1,163,758,081	
197 19,189,170			
198 3,922,845,096			
199 0			
200 46,553,456			
201 86,612,651	202 4,075,200,373		
203 0			
204 5,294,682			
205 0			
206 0			
207 15,654,600	208 20,949,282		
209 0			
210 2,451,822			
211 0			
212 0			
213 500,000	214 2,951,822	215 4,099,101,477	
	to carry forward		221,917,312

## BALANCE SHEET

## ASSETS

		Current year	
	Carried forward		171,939,450
C. INVESTMENTS (cont.)			
III. - Other financial investments			
1. Shares and holdings			
a) Shares listed	36 815,000,435		
b) Shares not listed	37 13,781,555		
c) Quotas	38 1,500,000	39 830,281,990	
2. Investment funds units	40 638,397,664		
3. Bonds and other fixed income securities			
a) listed	41 8,822,805,311		
b) not listed	42 79,921,936		
c) convertible bonds	43 57,230,199	44 8,959,957,446	
4. Loans			
a) secured loans	45 0		
b) loans on policies	46 28,749,803		
c) other loans	47 4,346,384	48 33,096,187	
5. Quotas in mutual investments	49 0		
6. Deposits at credit institutions	50 625,946		
7. Other financial investments	51 86,665	52 10,462,445,898	
IV - Deposits with reinsuring companies		53 56,825,612	54 15,338,612,560
D. INVESTMENTS FOR THE BENEFIT OF LIFE ASSURANCE POLICY HOLDERS 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			
		55 229,145,257	
II - Investments derived from pension fund management			
		56 205,620,875	57 434,766,132
D bis. TECHNICAL RESERVES – REINSURANCE AMOUNT			
I - NON LIFE DIVISION			
1. Unearned premiums reserve	58 51,396,733		
2. Outstanding claims reserve	59 282,689,268		
3. Profit sharing and premium refunds reserve	60 0		
4. Other technical reserves	61 0	62 334,086,001	
II - LIFE DIVISION			
1. Actuarial reserves	63 99,602,716		
2. Unearned premiums reserve	64 0		
3. Outstanding claims reserve	65 3,062,645		
4. Profit sharing and premium refunds reserve	66 0		
5. Other technical reserves	67 0		
6. Technical reserves where the investment risk is borne by the policyholders and reserves relating to the administration of pension funds	68 0	69 102,665,361	70 436,751,362
	to carry forward		16,382,069,504

Previous year		
Carried forward		221,917,312
216 1,130,101,828		
217 6,178,678		
218 1,500,000	219 1,137,780,506	
	220 727,958,359	
221 8,084,457,417		
222 117,106,668		
223 63,637,256	224 8,265,201,341	
225 0		
226 32,362,333		
227 4,072,133	228 36,434,466	
	229 0	
	230 544,338	
	231 89,530,815	232 10,257,449,825
	233 61,688,989	234 15,581,998,372
	235 338,834,826	
	236 178,487,897	237 517,322,723
238 47,943,387		
239 311,731,204		
240 0		
241 0	242 359,674,591	
243 97,734,262		
244 0		
245 1,993,630		
246 0		
247 0		
248 0	249 99,727,892	250 459,402,483
to carry forward		16,780,640,890

## BALANCE SHEET

## ASSETS

		Current year	
	Carried forward		16,382,069,504
E. RECEIVABLES			
I - Receivables, derived from direct insurance operations, composed of:			
1. Policyholders			
a) premiums for current year	71 438,537,032		
b) premiums for previous years	72 16,422,586	73 454,959,618	
2. Insurance brokers and agents		74 592,683,637	
3. Insurance companies - current accounts		75 84,732,459	
4. Policyholders and others for sums to be recovered		76 54,028,944	77 1,186,404,658
II - Receivables, derived from reinsurance operations, composed of:			
1. Insurance and reinsurance companies		78 69,020,564	
2. Reinsurance brokers and agents		79 159,816	80 69,180,380
III. - Other receivables		81 646,533,599	82 1,902,118,637
F. OTHER ASSETS			
I - Fixed assets and inventories			
1. Furniture, EDP and internal transport		83 8,446,105	
2. Tangible assets recorded in public registers		84 10,321	
3. Plant and equipment		85 501,559	
4. Stocks and various assets		86 4,120,335	87 13,078,320
II - Cash and cash equivalents			
1. Bank and postal deposits		88 295,619,453	
2. Cheques and cash on hand		89 79,728	90 295,699,181
III. - Treasury shares		91 20,245,120	
IV - Other assets			
1. Reinsurance clearing accounts		92 3,154,092	
2. Sundry assets		93 341,875,318	94 345,029,410
95 674,052,031			
G. PREPAID AND ACCRUED INCOME			
1. Interest		96 135,067,535	
2. Rents		97 531	
3. Other prepaid and accrued income		98 5,283,699	99 140,351,765
TOTAL ASSETS			100 19,098,591,937

Previous year		
Carried forward		16,780,640,890
251 423,556,834		
252 5,796,123	253 429,352,957	
	254 582,785,447	
	255 104,604,898	
256 39,738,814	257 1,156,482,116	
258 58,592,843		
259 119,217	260 58,712,060	
	261 761,119,368	262 1,976,313,544
263 9,059,069		
264 22,073		
265 586,275		
266 4,120,335	267 13,787,752	
268 333,293,875		
269 156,503	270 333,450,378	
	271 35,546,880	
272 1,929,103		
273 230,200,382	274 232,129,485	275 614,914,495
	276 135,350,984	
	277 531	
	278 2,667,323	279 138,018,838
		280 19,509,887,767



BALANCE SHEET  
LIABILITIES AND NET EQUITY

		Current year	
A. SHAREHOLDERS' EQUITY			
I - Share capital subscribed or equivalent fund	101	167,043,712	
II - Share premium reserve	102	209,947,271	
III. - Revaluation reserve	103	200,024,934	
IV - Legal reserve	104	35,536,164	
V - Statutory reserves	105	0	
VI - Reserves for treasury shares and of holding companies	106	34,352,269	
VII - Other reserves	107	1,811,984,740	
VIII - Retained earnings/(accumulated losses)	108	0	
IX - Profit/(loss) for the year	109	-636,407,745	110 1,822,481,345
B. SUB-ORDINATED LIABILITIES			111 900,000,000
C. TECHNICAL RESERVES			
I - NON-LIFE DIVISION			
1. Unearned premium reserve	112 1,515,070,461		
2. Claims reserve	113 4,729,815,742		
3. Reserve for profit sharing and reversals	114 0		
4. Other technical reserves	115 7,620,099		
5. Equalisation reserves	116 22,203,645	117 6,274,709,947	
II - LIFE DIVISION			
1. Actuarial reserves	118 7,883,873,395		
2. Unearned premiums reserve	119 712,002		
3. Claims outstanding reserve	120 93,732,754		
4. Reserve for profit sharing and reversals	121 1,633,185		
5. Other technical reserves	122 51,460,450	123 8,031,411,786	124 14,306,121,733
D. TECHNICAL RESERVES WHERE THE INVESTMENT RISK IS BORNE WHO BEAR THE INVESTMENT RISK AND RELATING, TO THE ADMINISTRATION OF PENSION FUNDS			
I - reserve relating to the performance of investments funds and market indices		125 229,047,993	
II - Provisions derived from pension fund management		126 205,620,870	127 434,668,863
to carry forward			17,463,271,941

Previous year

	281	167,043,712	
	282	209,947,271	
	283	200,024,934	
	284	35,536,164	
	285	0	
	286	54,736,050	
	287	1,818,777,218	
	288	0	
	289	40,216,418	290 2,526,281,767
			291 900,000,000
292	1,449,319,330		
293	4,699,691,563		
294	0		
295	8,406,627		
296	19,492,683	297 6,176,910,203	
298	7,414,699,243		
299	730,861		
300	75,046,206		
301	2,338,694		
302	53,904,389	303 7,546,719,393	304 13,723,629,596
		305 338,546,319	
		306 178,487,849	307 517,034,168
to carry forward			17,666,945,531

BALANCE SHEET  
LIABILITIES AND NET EQUITY

		Current year	
	Carried forward		17,463,271,941
E. PROVISION FOR RISKS AND CHARGES			
1 Provisions for pension and similar		128 3,385,585	
2 Tax provisions		129 91,000,458	
3 Other provisions		130 230,155,997	131 324,542,040
F. DEPOSITS RECEIVED FROM REINSURERS			132 151,125,364
G. PAYABLES AND OTHER LIABILITIES			
I - Payables, derived from direct insurance operations, composed of:			
1. Insurance brokers and agents	133 24,616,249		
2. Insurance companies - current accounts	134 12,044,730		
3. Policyholders for cautionary monies and premiums	135 73,826		
4. Policyholder guarantee provisions	136 255,957	137 36,990,762	
II - Payables, derived from reinsurance operations, composed of:			
1. Insurance and reinsurance companies	138 33,637,719		
2. Reinsurance brokers and agents	139 818,974	140 34,456,693	
III - Bonds		141 0	
IV - Payables to banks and financial institutions		142 75,000,000	
V - Secured debts		143 0	
VI - Loans and other financial payables		144 248,300,000	
VII - Employee leaving indemnity		145 39,370,934	
VIII - Other payables			
1. Policyholders' tax due	146 71,043,903		
2. Other taxes due	147 50,747,547		
3. Social security and welfare institutions	148 8,800,727		
4. Various payables	149 367,992,508	150 498,584,685	
IX - Other liabilities			
1. Reinsurance suspense accounts	151 2,704,965		
2. Commissions on collectable premiums	152 58,400,037		
3. Various liabilities	153 153,103,477	154 214,208,479	155 1,146,911,553
	to carry forward		19,085,850,898

Previous year			
Carried forward		17,666,945,531	
	308	3,614,450	
	309	115,219,304	
	310	208,972,396	
	311	327,806,150	
	312	149,647,074	
313	35,349,751		
314	19,686,868		
315	73,826		
316	190,296	317	55,300,741
318	43,317,106		
319	818,974	320	44,136,080
		321	0
		322	75,000,000
		323	0
		324	434,800,000
		325	43,582,356
326	70,926,121		
327	32,462,678		
328	8,928,889		
329	409,000,985	330	521,318,673
331	1,110,468		
332	59,497,073		
333	107,281,885	334	167,889,426
		335	1,342,027,276
to carry forward			19,486,426,031

BALANCE SHEET  
LIABILITIES AND NET EQUITY

		Current year	
	Carried forward		19,085,850,898
H. ACCRUALS AND DEFERRED INCOME			
1. Interest	156	12,651,183	
2. Rents	157	47,697	
3. Other accruals and deferred income	158	42,159	159 12,741,039
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		160	19,098,591,937

Previous year		
Carried forward		19,486,426,031
	336 23,361,324	
	337 58,253	
	338 42,159	339 23,461,736
		340 19,509,887,767

BALANCE SHEET  
GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

		Current year
GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS		
I - Guarantees given		
1. Sureties	161	0
2. Endorsements	162	0
3. Other non-secured guarantees	163	0
4. Collateral	164	4,160,385
II - Guarantees received		
1. Sureties	165	179,496,251
2. Endorsements	166	0
3. Other non-secured guarantees	167	2,353,760
4. Collateral	168	2,900,000
III - Guarantees given by third parties on behalf of the company	169	53,462,376
IV - Commitments	170	840,408
V - Third party assets	171	7,303,488
VI - Pension fund assets managed on behalf of third parties	172	0
VII - Securities deposited with third parties	173	13,433,969,679
VIII - Other memorandum accounts	174	802,311,004

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		Previous year
		341 0
		342 0
		343 0
		344 4,681,438
		345 182,193,617
		346 0
		347 1,966,766
		348 52,900,000
		349 54,374,195
		350 281,091,722
		351 10,079,356
		352 0
		353 13,534,267,859
		354 802,281,384



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INCOME STATEMENT

Current year

I. TECHNICAL ACCOUNT OF THE NON-LIFE DIVISION					
1	EARNED PREMIUMS NET OF REINSURANCE				
	a) Gross premiums written	1	3,827,231,107		
	b) (-) Premiums ceded	2	134,093,950		
	c) Change in the gross amount of the unearned premium reserve	3	65,978,609		
	d) Change in reinsurers reserves for unearned premiums	4	3,872,372	5	3,631,030,920
2	(+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM NON TECHNICAL ACCOUNT (ACC. III. 6)			6	
3.	OTHER TECHNICAL INCOME, NET OF REINSURANCE			7	25,954,280
4	CLAIMS INCURRED NET OF RECOVERIES AND REINSURANCE				
	a) Claims paid				
	aa) Gross amount	8	3,085,698,340		
	bb) (-) reinsurers' share	9	77,367,665	10	3,008,330,675
	b) Change in recoveries net of reinsurers' share				
	aa) Gross amount	11	83,808,681		
	bb) (-) reinsurers' share	12		13	83,808,681
	c) Change in claims reserve				
	aa) Gross amount	14	30,748,785		
	bb) (-) reinsurers' share	15	-26,469,682	16	57,218,467
5	CHANGE IN OTHER TECHNICAL RESERVES NET OF REINSURANCE			17	2,981,740,461
6	PROFIT-SHARING AND REVERSALS NET OF REINSURANCE			18	-786,528
7	MANAGEMENT EXPENSES:			19	
	a) Acquisition commissions	20	579,519,228		
	b) Other acquisition costs	21	95,150,354		
	c) Change in commissions and other costs of acquisition to be amortised	22			
	d) Collection commissions	23	12,716,349		
	e) Other administrative expenses	24	163,084,461		
	f) (-) Commissions and profit participation received from reinsurers	25	30,942,661	26	819,527,731
8	OTHER TECHNICAL CHARGES, NET OF REINSURANCE			27	116,850,580
9	CHANGE IN EQUALISATION RESERVES			28	2,710,963
10.	TECHNICAL ACCOUNT RESULT - NON-LIFE DIVISION (Account III. 1)			29	-263,058,007

[illegible]

INCOME STATEMENT

Current year

II. TECHNICAL ACCOUNT - LIFE DIVISION					
1	EARNED PREMIUMS NET OF REINSURANCE				
	a) Gross premiums written	30	1,235,530,409		
	b) (-) premiums ceded	31	18,097,743	32	1,217,432,666
2	INVESTMENT INCOME				
	a) Income from shares and quotas	33	16,386,588		
	(of which: group companies and other holdings	34	798,372 )		
	b) Income from other investments				
	aa) land and buildings	35	2,207,063		
	bb) other investments	36	320,995,823	37	323,202,886
	(of which: group companies	38	2,435,215 )		
	c) Write-back on investments	39	8,500,561		
	d) Gains on investment disposals	40	69,541,794		
	(of which: group companies and other holdings	41		42	417,631,829
3	INCOME AND UNREALISED CAPITAL GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND PENSION FUND MANAGEMENT			43	45,381,455
4	OTHER TECHNICAL INCOME, NET OF REINSURANCE			44	3,840,835
5	CLAIMS INCURRED NET REINSURANCE				
	a) Claims paid				
	aa) Gross amount	45	1,135,297,949		
	bb) (-) Reinsurers share	46	14,318,820	47	1,120,979,129
	b) Change in reserve for sums to be paid				
	aa) Gross amount	48	17,489,829		
	bb) (-) Reinsurers share	49	1,073,817	50	16,416,012
				51	1,137,395,141
6	CHANGE IN ACTUARIAL RESERVES AND OTHER TECHNICAL RESERVES NET OF REINSURANCE				
	a) Actuarial reserves:				
	aa) Gross amount	52	386,401,466		
	bb) (-) Reinsurers share	53	1,330,915	54	385,070,551
	b) Unearned premiums provision				
	aa) Gross amount	55	-37,685		
	bb) (-) Reinsurers share	56		57	-37,685
	c) Other technical reserves				
	aa) Gross amount	58	-3,354,829		
	bb) (-) Reinsurers share	59		60	-3,354,829
	d) Technical reserves where the investment risk is borne by policyholders and those relating to administration of pensions				
	aa) Gross amount	61	-82,367,997		
	bb) (-) Reinsurers share	62		63	-82,367,997
				64	299,310,040

## Previous year

			Previous year			
		140	1,066,958,397			
		141	23,613,714	142	1,043,344,683	
		143	22,689,052			
of which: group companies and other holdings		144	11,363,657 )			
	145	3,701,530				
	146	325,683,525	147	329,385,055		
(of which: group companies		148	2,817,360 )			
		149	125,254,696			
		150	49,596,932			
of which: group companies and other holdings		151	)	152	526,925,735	
				153	82,758,645	
				154	1,042,991	
	155	1,102,098,711				
	156	14,511,791	157	1,087,586,920		
	158	-17,641,010				
	159	-575,458	160	-17,065,552	161	1,070,521,368
	162	228,569,207				
	163	4,307,043	164	224,262,164		
	165	-38,238				
	166		167	-38,238		
	168	-4,879,976				
	169		170	-4,879,976		
	171	13,036,395				
	172		173	13,036,395	174	232,380,345

## INCOME STATEMENT

				Current year
7	PROFIT-SHARING AND REVERSALS NET OF REINSURANCE			65
8.	MANAGEMENT EXPENSES:			
	a) Acquisition commissions	66	16,976,229	
	b) Other acquisition costs	67	13,367,820	
	c) Change in commissions and other costs of acquisition to be amortised	68	-49,000	
	d) Collection commissions	69	4,531,675	
	e) Other administrative expenses	70	34,064,162	
	f) (-) Commissions and profit participation from reinsurers	71	2,473,514	72 66,515,372
9	ASSET AND FINANCIAL CHARGES			
	a) Investment management charges and interest expenses	73	22,281,278	
	b) Value adjustments on investments	74	260,635,603	
	c) Losses on investment disposals	75	38,475,014	76 321,391,895
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 15,344,278
11.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE			78 18,553,490
12.	(-) PORTION OF INVESTMENT INCOME TRANSFERRED FROM NON TECHNICAL ACCOUNT (ACC III. 4)			79
13.	TECHNICAL ACCOUNT RESULT - LIFE DIVISION (Account III. 2)			80 -174,223,431
<b>III. NON TECHNICAL ACCOUNT</b>				
1	TECHNICAL ACCOUNT RESULT – NON-LIFE DIVISION (account I.10)			81 -263,058,007
2	TECHNICAL ACCOUNT RESULT - LIFE DIVISION (account II. 13)			82 -174,223,431
3.	INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION			
	a) Income from shares and quotas	83	11,241,803	
	(of which: group companies and other holdings	84	1,029,430 )	
	b) Income from other investments			
	aa) land and buildings	85	46,258,090	
	bb) other investments	86	58,141,969	87 104,400,059
	(of which: group companies	88	11,976,826 )	
	c) Write-back on investments	89	2,581,007	
	d) Gains on investment disposals	90	49,914,107	
	(of which: group companies and other holdings	91		92 168,136,976

Previous year	
	175
176 15,688,336	
177 12,607,389	
178 -316,000	
179 4,732,892	
180 35,494,293	
181 4,827,588	182 64,011,322
183 18,009,378	
184 24,618,959	
185 10,273,088	186 52,901,425
	187 13,843,219
	188 21,130,538
	189 53,902,547
	190 145,381,290
	191 -171,952,297
	192 145,381,290
193 87,806,015	
which: group companies and other holdings 194 66,122,858 )	
195 46,521,495	
196 60,798,945	197 107,320,440
(of which: group companies 198 8,497,106 )	
199 25,730,669	
200 119,580,522	
which: group companies and other holdings 201 )	202 340,437,646

INCOME STATEMENT

Current year

			Current year		
4	(+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS (Item II. 12)		93		
5.	ASSET AND FINANCE CHARGES FOR NON-LIFE DIVISION				
	a) Investment management charges and interest expenses	94	43,972,414		
	b) Value adjustments on investments	95	338,170,877		
	c) Losses on investment disposals	96	11,863,535	97	394,006,826
6	(+) QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (account I. 2)		98		
7	OTHER INCOME		99	236,318,586	
8	OTHER CHARGES		100	350,849,506	
9	RESULT FROM ORDINARY ACTIVITY		101	-777,682,208	
10.	EXTRAORDINARY INCOME		102	92,869,243	
11.	EXTRAORDINARY CHARGES		103	47,092,411	
12.	RESULT FROM EXTRAORDINARY ACTIVITY		104	45,776,832	
13.	LOSS BEFORE TAXES		105	-731,905,376	
14.	INCOME TAXES FOR THE YEAR		106	-95,497,631	
15.	LOSS FOR THE YEAR		107	-636,407,745	



## Previous year

			203	53,902,547	
		204	42,373,375		
		205	78,288,961		
		206	33,862,344	207	154,524,680
				208	130,166,910
				209	241,822,539
				210	324,246,414
				211	653,721
				212	143,330,731
				213	107,866,775
				214	35,463,956
				215	36,117,677
				216	-4,098,741
				217	40,216,418

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## **Explanatory Notes**

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The financial statements as at December 31, 2010:

- are prepared in accordance with the general provisions for insurance company financial statements as modified and supplemented by Leg. Decree No. 209/2005;
- utilise the obligatory format pursuant to ISVAP Reg. No. 22 of 04/04/08;
- adopt the general provisions on the preparation of the financial statements and apply the accounting principles established by article 2 of the above-mentioned Regulation;
- in accordance with article 2434 of the Civil Code consist of the Balance Sheet, Income Statement and present notes thereto; they also include the Directors' Report on Operations in its entirety, reported in the previous pages.

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

The Notes to the Financial Statements, which provide information and indications on the successive attachment 2, are divided into the following parts:

Part A     Accounting principles

Part B     Information on the Balance Sheet and Income Statement and relative attachments

Part C     Other information

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

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

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

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

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## SECTION 1 - SUMMARY OF ACCOUNTING POLICIES

The accounting principles adopted are in accordance with current law and for their interpretation the accounting principles issued by the Italian Accounting Organisation (Organismo Italiano di Contabilità). The accounting principles have not changed from the previous year, except where specifically indicated in the comments to the individual accounts.

### **Intangible assets**

The capitalised commissions paid to the brokers for the acquisition of long-term policies are entirely expensed to the income statement of the year.

The acquisition commissions of the Life Division, relating to the portfolio of the former La Fondiaria S.p.A., and already in the course of amortisation at the beginning of the year, apply the original amortisation plan, equal to the actual duration of the contracts, up to the policy loading and, in any case, not above 10 years.

All other charges incurred for the acquisition of the risks relating to long-term contracts and for their management are recorded in the income statement in the year incurred.

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

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

### **Land and Buildings**

The property, plant and equipment are recorded in the accounts at acquisition or construction costs increased by any incidental charges, improvement expenses, in addition to any revaluation made, also on the allocation of the merger difference, and are recorded net of the accumulated depreciation provision and any write-downs made in previous years.

Depreciation relates to all buildings used for business purposes.

### **Non-current financial investments**

The investments in Italian and foreign bonds classified as “non-current” are valued, pursuant to article 16, paragraph 3 of Legislative Decree No. 173/1997, at the lower value between purchase cost, adjusted for any write-downs in previous years, and the permanent value at the reporting date. The equity and debt securities, where relating to the current portfolio, are recorded at the value resulting from the application, at the moment of transfer, of the valuation criteria of the sector they are transferred from.

The purchase cost is taken from the cost determined using the weighted average method, adjusted following the inclusion of the issue and trading spread and any adjustments to value, revaluations of original costs and allocations of merger differences.

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

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

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

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

## **Current financial investments**

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

For realisable value, it is assumed:

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

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

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

### **Time deposits**

The value of securities acquired “spot”, with repurchase obligation by the seller, are recorded under other financial investments and those of securities sold “spot” under Payables and Other Liabilities.

The interest and the differences between the “spot” and “forward” values are recorded respectively under “Income from other investments” and “Investment management charges and interest expense”. For the operations at the end of the year, the income is recognised using the pro-rata method.

### **Derivative financial instruments**

The valuation criteria are differentiated based on the “hedging” or “efficient management” purpose for which the financial operations are undertaken.

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

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

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

On the maturity of the option, where not exercised, the premium is recorded under Investment Income or Asset and Financial Charges. Vice versa the premiums exercised, in the case of purchase or sale of the underlying assets, adjust the carrying value or the sales price, while they are allocated to Investment Income or Asset and Financial Charges in the case of the financial settlement of the commitment.

The options in force at year-end are valued taking into account the assets in the underlying securities or currency with reference to the recoverable value, in the case of non-current assets, or the respective prices in the case of current assets. In this latter case, where there are no prices, a prudent valuation of their realisable value is made.



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## **TANGIBLE ASSETS**

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

### **Receivables**

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

### **Sub-ordinated liabilities**

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

### **Technical reserves for direct business**

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

Therefore the following accounting principles apply:

### **Non-Life Unearned Premium Reserve**

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

- *Reserve for fraction of premium*

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

For the risks deriving from hailstorms and nuclear energy, the calculation was applied as per Article 15 and subsequent of ISVAP Regulation No. 16/2008.

For the Credit Class, the provisions of article 7, paragraph 4 of ISVAP Regulation No. 16, were applied for the contracts made or renewed before December 31, 1991.

In the Other Property Damage, Fire, Injury and Transported Goods Classes, further provisions were made for natural calamity, in accordance with ISVAP Regulation No. 16.

In the Bond class, the supplementary reserves in accordance with article 12 of ISVAP Regulation No. 16 were made.

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- *Reserve for current risks*

This component of the premium reserve is made in accordance with article 9 of Regulation No. 16 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, where the expected costs of these risks exceed the reserve for premium fraction.

The calculation procedure adopted for the provision of this reserve is in accordance with the empiric method suggested by the Supervision Authority in the above-mentioned Regulation, applied separately for each class, and, within each class, for each type of risk included. The ratio of claims utilised was valued also taking into account a sufficient period of time in relation to the nature of each class or of individual types of risks included.

## **Non-Life Claims Reserve**

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

The claims reserve was valued in accordance with the provisions of Article 27 and thereafter of the above-stated Regulation, utilising the last cost as the calculation criteria, to take into account all expected future charges, on the basis of historical and projected data. This also includes the estimate relating to the claims not reported at the year end.

In particular:

- *Motor TPL Division*

In accordance with article 37, paragraphs 5 and 6 of Legislative Decree 209/05 and articles 24-34 of Regulation No. 16, the Company determined the claims reserve as illustrated below.

- a.1 *Reserve for claims reported*

The claims reserve includes 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 still not paid, as well as the relative settlement expenses.

The reserve is valued equal to the last cost and therefore takes account of all foreseeable charges, determined on the basis of historical data and objective prospective elements.

The claims 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.

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In the case of non reporting of the reserves by the settlement offices a statistical average cost reserve is applied.

The average statistical cost was defined regrouping the claims in uniform categories, subdivided by each type of claim (material, injury, mortal), type of vehicle, province. For these categories of claims the average statistical cost was obtained from the average cost paid on the basis of the damages settled in the year and in the previous years to those estimated. In order to obtain reliable estimates, it is necessary that the number of each homogeneous group identified is sufficiently large; when this does not occur the provincial factor is replaced by the regional factor, or regions are combined until eventually the integration of the entire national territory. In this manner it is possible to obtain sufficiently sizable combinations. On the CARD Debtor the average statistical cost was adjusted to take account of the regulations defined by ISVAP relating to the threshold and platform on physical claims while on the CARD material damage it was equal to the flat-rate due.

In particular, with the introduction of direct indemnity in 2007 and considering that the Card lump sum changed last in 2010, it was necessary to separately evaluate the claims reserve of the current generation from that of the previous generation claims.

#### Current generation

On this data a verification process was made based on the principal statistical basis:

- cancellation speed;
- settlement speed;
- average cost paid;
- average reserve cost;
- average cost accepted;
- ratio between claims and premiums.

#### Previous generations

With reference to the previous generations the historical series of the claims caused by our policyholders with the claims managed were updated. This historical series, for the introduction of the direct indemnity, is not linear, which is the basis of each actuarial statistical method. For this reason the Fisher-Lange model was updated in order to include the operational discontinuity and take into account the projection of future payments.

In particular the indicators relating to the percentage of claims accepted and the speed of settlement were calculated for each year in order to better differentiate the behaviour in the CARD regime from previous years. The analysis of the average cost paid was supported by the analysis of the serious claims.

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The process for the determination of the Motor TPL is based on the following principles:

- The Fisher-Lange model was confirmed as the benchmark statistical actuarial method utilised. This choice was made based on the need to calculate the estimate of the reserve taking into account modifications made to the settlement policies and due to the effect of the direct remuneration system, in addition to the effect of the changes introduced by the new claims management system around the middle of 2009.
- The valuation was made based on the claims classified by year, net of the late claims and therefore the final estimate does not contain the IBNR reserve which was estimated separately.

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.

The settlement expenses reserve was calculated applying a percentage, based on observable experience, to the total reserve, whose last cost valuation included this component.

*a.2 Reserve for claims not yet reported*

The reserve for claims not reported (IBNR) was determined based on the criteria defined by article 32 of ISVAP Regulation No.16 of March 4, 2008 as shown below.

Considering that the valuation of the claims reserve at last cost is carried out by year, the estimate includes the provision necessary to meet the claims attributable to the year but not yet reported at the year-end, estimated with reference to historical experience in previous years.

The estimate of the number of IBNR expected was carried out with the Chain-Ladder method applied on a historical series of claims reported. An “accepted claims” rate was applied to the IBNR number in line with the actual in order to obtain the definitive estimate.

In order to quantify the allocation to the total claims reserve, the strength of the IBNR reserve compared with the previous year based on the results recorded in the year is analysed and subsequently a residual amount is allocated both in terms of total costs and in terms of average cost.

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- *Other Non-Life Classes*

The valuations were made analytically claim-by-claim by the settlement structure. These valuations were adjusted by the management based on the results of specific valuation models, in order to determine the last cost of the claims. These models take into account past experience in relation to the adequacy of the claim reserve and the effective late claims.

- *Settlement expenses*

With reference to the quantitative and attribution of the settlement expenses the following is noted:

- on payment, the external expenses are directly attributed to the individual claims, while the individual expenses are broken down by class and, within this, by year, based on the amount of the payment (indemnity plus external expenses);
- on the reserve, the external and internal expenses are a component of the valuation of the reserve at last cost and are subsequently determined applying to the total reserve a percentage defined based on the experience from the trend in the settlement expenses.

- *Late claims reserve*

Considering that the valuation of the claims reserve at last cost is carried out by year, the claims reserve includes the provision necessary to meet the claims attributable to the year but not yet reported at the year-end, estimated with reference to historical experience in previous years.

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

## **Other technical reserves**

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

## **Equalisation reserves**

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

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## **Life technical reserves**

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

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

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

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

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

## **Technical reserves attributed to reinsurers**

The reserves attributable to the reinsurers include the amounts determined, in accordance with the reinsurance contractual agreements, based on the gross amount of the technical reserves.

In particular in relation to the unearned Premium Reserves on proportional cessions, these are calculated in accordance with article 37 of Legislative Decree 209/05 for the gross Unearned Premium.

## **Inward Reinsurance**

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

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

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## **Provision for risks and future charges**

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

## **Service bonus provision pursuant to art. 32 of CCNL**

The fund was created for all employees that had completed 20 and 30 years of service at the company based on the annual contributions at 31/12/2010 and proportional to premiums maturing after 25 and 30 years of service. The provision is used for the premiums issued and re-determined at the end of each year.

## **Building maintenance provision**

The provision includes the costs for the year and previous years not yet incurred as the relative works, for technical and economic reasons, are made at periodic intervals.

The overall revision of the provision is made, on the basis of expert evaluations, in relation to the residential and non-residential buildings.

Provisions are made for buildings which are to be sold or restructured before the completion of the normal maintenance cycle, as well as for the individual condominium units which have uniform maintenance costs over the period.

## **Payables and other liabilities**

Payables are determined at their nominal value.

## **Employee leaving indemnities provision**

This is calculated on the current labour contracts and criteria contained in article 5 of law No. 297 of May 29, 1982 which governs the treatment of leaving indemnities.

The charge deriving from the contractual renewals, due to the retrospective effect, are recorded when these agreements enter into force.

## **Prepayments and accruals**

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

## **Guarantees, commitments and other memorandum accounts**

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

## **Gross premiums written**

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

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## **Other technical charges**

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

## **Other technical income**

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

## **Income from debt and equity securities**

The interest income matured, the issue margin and the difference between purchase cost and nominal collectible value on maturity is recorded in the income statement based on the annual accrual principle.

The dividends are recorded in the year in which they are paid.

The dividends from subsidiaries are recorded based on the “maturity” principle, or rather the year in which the profits are produced by the subsidiaries and for which the relative distribution resolution was made prior to that of the Parent Company.

The gains and losses deriving from trading on securities in the portfolio of the Company are recorded in the income statement in the year in which the relative sales contracts are settled.

The results deriving from trading of non-current financial instruments on the other hand are recorded on the signing of the relative sale/purchase contract.

## **Income taxes**

The income taxes are determined on the basis of the valuation of the current and deferred tax charge. The direct taxes for the period are calculated based on current tax regulations.

All the temporary differences, both deductible and assessable, refer to the income tax rate in force at the moment in which the differences will reverse.

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

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



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

Deferred tax liabilities were also recorded in previous years following the deductions made on the declaration of income taxes only for tax purposes.

The deferred tax assets and liabilities also include the prior balances, as well as those arising during 2010 relating to the companies participating in the tax regime as per article 115 of Presidential Decree Number 917/1986. In this case, the deferred tax of the company is recorded proportionally to the percentage of the shareholding held.

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

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

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

### **Foreign currency transactions**

The accounting of the operations in foreign currencies is made through the utilisation of multi currency accounting. The balances in foreign currencies are therefore stated in the accounts and converted to Euro applying the exchange rates at the balance sheet date. The relative effects are recorded in the income statement accounts “Other Income”, if positive or “Other Charges”, if negative.

The historic exchange rates are maintained only for the investments considered long term, provided that the exchange rate does not reflect a permanent loss in value.

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

Based on the management accounts, a breakdown was made on the settlement expenses between “Motor” and other “Non-Life Classes”.

The division on each class is made in proportion to the average arithmetical percentage of the number of claims settled and of the relative amounts, this latter excluding any particular serious events.

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

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

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

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

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

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## BALANCE SHEET – ASSETS

The information on the accounts of the Balance Sheet, the amounts of the previous year and the movements are provided below.

Where the accounts of the previous year are not comparable with that of the current year, necessary adjustments were made. Where not comparable, any adjustments or the impossibility to make adjustments are included in the comments to the individual accounts.

### SECTION 1

#### INTANGIBLE ASSETS – (Account B)

The intangible assets, entirely considered as long-term, amount to Euro 171,940 thousand (Euro 221,917 thousand at 31/12/2009) and are shown net of amortisation.

The intangible fixed assets are systematically amortised in relation to their residual utilisation. During the year, no situations arose resulting in a permanent loss in value.

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

(in Euro thousands)	31/12/2010	31/12/2009	Change
Acquisition commissions to be amortised			
- Life Division	-	49	(49)
- Non-Life Division	-	-	-
Formation and start-up costs	2,700	4,050	(1,350)
Goodwill	169,029	217,685	(48,656)
Other deferred costs	211	133	78
<b>Total</b>	<b>171,940</b>	<b>221,917</b>	<b>(49,977)</b>

#### Acquisition commissions to be amortised

This account referred entirely to the ex La Fondiaria S.p.A. portfolio. The original amortisation plan - based on the effective duration of the contracts - was completed in the current year.

The long term commissions arising in the year, both in the Life and Non-Life classes, are prudently recorded, for the entire amount, in the income statement.

#### Formation and start-up costs

The account “Formation and start-up costs” entirely includes the charges incurred for the granting of subordinated loans and is amortised over 5 years.

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## Goodwill

The amortisation of the following goodwill was completed in 2010:

- goodwill of the incorporated Fondiaria Assicurazioni and the relative conferment of the business in 1990 and amortised over 20 years;
- goodwill relating to the incorporation of Fondiaria Assicurazioni in 1995, amortised over 16 years;
- goodwill relating to the transfer, in 2001, of the portfolio of the subsidiary BIM Vita and of the company Profilo Life, amortised over 10 years.

Therefore at 31/12/2010 the account “Goodwill” comprised exclusively the residual surplus on the cancellation emerging from the merger by incorporation of La Fondiaria S.p.A. into Fondiaria-SAI S.p.A., during 2002, net of the quota allocated to buildings and investments. This cost is amortised over a period of 20 years.

## Other deferred costs

“Other deferred costs” are broken down as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
- Licences and software programme rights	144	34	110
- Trademarks	8	11	(3)
- Leasehold improvements (technical evaluation offices and agencies)	59	88	(29)
<b>Total</b>	<b>211</b>	<b>133</b>	<b>78</b>

The other long-term costs are recorded under assets in consideration of their long-term utilisation. The licenses for IT products and the leasehold improvements are amortised respectively over three and five years.

At December 31, 2010, the trademarks recorded in the accounts relate to “Principi di Piemonte” for Euro 6 thousand and “Finanza & Previdenza” for Euro 2 thousand. These costs are amortised over 10 years.

## SECTION 2

### INVESTMENTS - (Account C)

#### Land and buildings

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

(in Euro thousands)	31/12/2010	31/12/2009	Change
Property used for business activities	14,975	48,466	(33,491)
Property used by third parties	1,172,307	1,144,649	27,658
Others buildings	18,686	18,675	11
Other property rights	5,273	5,266	7
Assets in progress and payments on account	2,808	2,830	(22)
<b>Total gross</b>	<b>1,214,049</b>	<b>1,219,886</b>	<b>(5,837)</b>
Accumulated depreciation	(56,437)	(56,128)	(309)
<b>Net total</b>	<b>1,157,612</b>	<b>1,163,758</b>	<b>(6,146)</b>
Fair value	1,534,173	1,554,013	(19,840)

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

The account “Other buildings” includes the Agriculture Land at Montepulciano, the land located in Florence (Via S. Leonardo 38-40-42), in Sanremo, in Modena (V. Buonarroti), in Rome (Tor Carbone), in Bruzzano, in Camogli and in Santa Margherita Ligure. The increase in the year is related to the land located in Majorca (Spain), acquired following the merger by incorporation of the subsidiary Italiberia.

The account “Other property rights” includes car parking spaces in Florence and building rights in the Viquarterio area in the municipality of Pieve Emanuele.

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

The decrease of Euro 5,837 thousand in investments in land and buildings, net of accumulated depreciation, compared to 31/12/2009 arises from:

(in Euro thousands)	31/12/2010	31/12/2009	Change
- Purchases	5,161	268,910	(263,749)
- Capital improvements	12,307	24,111	(11,804)
- Write-downs	(17,066)	-	(17,066)
- Sales	(6,239)	(252,456)	246,217
<b>Total</b>	<b>(5,837)</b>	<b>40,565</b>	<b>(46,402)</b>

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The purchases relate to a building in Milan, Corso Buenos Aires / Via A. Doria (Euro 2.4 million), a building in Trieste, Via E. De Amicis (Euro 1.1 million) and a further residential unit in a building located in Milan, Piazza della Repubblica/Via Locatelli (Euro 1.6 million).

The sales principally concern the sale of the buildings situated in Venice, Bacino Orseolo (Euro 2 million), in Florence, Via San Leonardo (Euro 1.8 million), in Salerno, Via Velia (Euro 0.4 million), in Rome, Viale Beethoven (Euro 0.3 million), in Milan, Via Messina (Euro 0.2 million), in Milan, Corso Buenos Aires/Via A. Doria (Euro 0.2 million) and in Rome, Via Siria (Euro 0.1 million).

The capital improvements principally relate to work undertaken on the buildings in Turin – Corso Galilei 12/14 (Euro 2.5 million), in Rome – Via Govoni, 24/43 (Euro 2 million), in Milan - Torre Galfa / Via Fara 41 (Euro 1 million), in Florence – Via Ricasoli, 48 (Euro 0.9 million), in Florence – Viale Matteotti, 14/16/18 (Euro 0.8 million), in Giardini Naxos Taormina (Euro 0.7 million), in Milan – Via Monti 21 (Euro 0.7 million), in Florence– Viale Matteotti 50 (Euro 0.5 million), in Viareggio – Viale Manin 12 (Euro 0.5 million), in Milan – Piazza Velasca 5 (Euro 0.3 million), in Florence– Piazza Della Libertà 13 (Euro 0.3 million) and in Milan – Viale Boezio 20 (Euro 0.4 million).

The write-downs relate to the buildings in Varese – Via Albani (Euro 12 million), in Giardini Naxos – The Hotel Complex (Euro 2.5 million), in Turin – Via Gobetti/Lagrange/Lovera (Euro 1.5 million) and in Milan – Via Fara 41 (Euro 1 million) and were carried out in order to align the book value with the respective market values as established by an independent expert. For these buildings the difference between the book value and the market value is considered as a long-term loss in value.

In accordance with Article 18 of Legislative Decree 173/97 and ISVAP Regulation No. 22, the Company determined, through an independent expert's evaluation, the current value of the land and building owned. The market value was determined through the separate valuation of each asset, applying typical property methods, integrated with elements which take account of the returns on the buildings, in accordance with the methods outlined therein.

The building at the Turin headquarters, Corso Galileo Galilei, was reclassified under third party use buildings with a consequent reduction in the value of direct use buildings of Euro 28.0 million. This follows the signing of a rental contract with the Fondiaria-SAI Servizi Group following an internal reorganisation which involved the employees of Fondiaria-SAI and some subsidiaries, including Milano Assicurazioni.

The overall market value of the buildings is Euro 376 million above the book value. The gross gains amount to Euro 380 million while the losses amount to Euro 4 million. An attachment to the notes reports for each building owned and cumulatively for the condominium units, the market value. The residual lower values between carrying value and market value was not considered a permanent loss in value.

Attachment 4 shows the changes in the year.

## Investments in group companies and in other companies

These amount to Euro 3,661,729 thousand and were as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
- Shares and holdings in companies	3,608,234	4,075,200	(466,966)
- Corporate bonds	50,293	20,949	29,344
- Corporate loans	3,202	2,952	250
<b>Total</b>	<b>3,661,729</b>	<b>4,099,101</b>	<b>437,372</b>

Class C. II. of the Balance Sheet includes marketable securities, represented by the investment in the parent company Premafin Finanziaria S.p.A. - for a book value of Euro 14,107 thousand (Euro 19,189 thousand at 31/12/2009). The residual relates to non-current assets.

### Shares and holdings in companies

The investments shown in account C.II.1 of the Balance sheet amount to Euro 3,608,234 thousand.

The composition of the account is as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
- Holding companies	14,107	19,189	(5,082)
- Subsidiaries	3,470,822	3,922,845	(452,023)
- Associated companies	37,528	46,553	(9,025)
- Other	85,777	86,613	(836)
<b>Total</b>	<b>3,608,234</b>	<b>4,075,200</b>	<b>(466,966)</b>

The amount is shown net of write downs for Euro 309,107 thousand detailed in the following table:

### Company

(in Euro thousands)

<b>Investment in the holding company</b>	<b>5,082</b>
- Premafin Finanziaria S.p.A.	5,082
<b>Investments in subsidiary companies</b>	<b>293,262</b>
- Atahotels S.p.A.	25,547
- Auto Presto&Bene S.p.A.	3,600
- BancaSai S.p.A.	12,500
- Centro Oncologico Fiorentino Casa di Cura Villanova S.r.l.	5,878
- Ddor Novi Sad A.D.O.	137,100
- Gruppo Fondiaria SAI Servizi S.c.r.l.	4,114
- Immobiliare Fondiaria-SAI s.r.l.	15,000
- Incontra Assicurazioni S.p.A	7,683
- Popolare Vita S.p.A.	79,570
- Sai Mercati Mobiliari - Società di Intermediazione Immobiliare S.p.A.	2,165
- Sistemi Sanitari S.c.r.l.	105
<b>Investments in associated companies</b>	<b>10,500</b>
- Fondiaria-SAI Servizi Tecnologici S.p.A.	1,500
- Mediobanca Venture Capital Fund	9,000
<b>Investments in other group companies</b>	<b>263</b>
- Ex Var SCS	263
<b>TOTAL</b>	<b>309,107</b>



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The book value of the listed companies included in account C.II.1 of the Balance Sheet is Euro 879,010 thousand greater than the market value, based on the listed values at 31/12/2010. This difference entirely relates to the subsidiary Milano Assicurazioni and is not considered a long-term loss in value. In particular, similar to that carried out for the preparation of the 2009 annual accounts, the recoverable value of Milano Assicurazioni was based on an internal analysis, undertaken also for the purposes of an impairment test as per IAS 36, based on the updated data of the subsidiary at 31/12/2010. These analyses, detailed in the paragraph on non-current assets, were supported by a fairness opinion drawn up by an independent expert.

The decrease concerning the subsidiary companies relates to, in addition to the above-stated write-downs, to the following operations:

- ACOMEIA SGR (Ex SAI ASSET MANAGEMENT) : for Euro 4,940 thousand following the sale of 450,000 ordinary shares comprising 90% of the share capital of the company.
- BANCA GESFID : for Euro 62,298 thousand to the entire sale of 10,000 shares held with the realisation of a gain of Euro 31,110 thousand.
- DIALOGO VITA : for Euro 3,223 thousand relating to the entire sale of 4,800,000 shares comprising 40% of the share capital of the company, to the subsidiary Milano Assicurazioni, with the realisation of a gain of Euro 662 thousand.
- EUROSAL : reduction of the share capital of Euro 4,290 thousand following the repayment to the sole shareholder for a downsizing of the company.
- ITALIBERIA : merger by incorporation into Fondiaria-SAI and cancelation of the investment for Euro 120,574 thousand.
- NUOVE INIZIATIVE TOSCANE : partial repayment of a share capital payment of Euro 5,813 thousand.
- SYSTEMA VITA : merger by incorporation into Fondiaria-SAI and cancelation of the investment for Euro 15,000 thousand.

The principal increases concerning subsidiary companies relate to the following operations:

- ATAHOTELS : capital payment to cover current year losses of Euro 15,300 thousand.
- AUTO PRESTO&BENE : payment of share capital increase with a payment of Euro 1,000 thousand.
- CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA: capital payment of Euro 1,600 thousand to cover the financial requirements for the start-up and beginning of activities in the oncology sector to be transferred to the group company Villa Ragionieri.
- GRUPPO FONDIARIA-SAI SERVIZI: payment to cover losses of Euro 3,699 thousand; for Euro 8 thousand concerning the purchase of 2,000 shares from Acomea S.g.r.; increase of 2,000 shares for Euro 9 thousand from the merger by incorporation of Systema Vita into Fondiaria-SAI.
- IMMOBILIARE FONDIARIA-SAI: payment of share capital increase with a payment of Euro 20,464 thousand.
- POPOLARE VITA S.p.A : payment of future share capital increase of Euro 9,755 thousand.
- VILLA RAGIONIERI: payment of share capital increase with a payment of Euro 4,539 thousand.

Pursuant to article 16 point 4 of Legislative Decree No. 173/97 the table below shows the investments in subsidiaries and associated companies classified as “non-current”, whose carrying value is above the pro-quota net equity of the investment: the differences summarised below, are described both in the present financial statements and in the explanatory notes to the consolidated financial statements.

(in Euro thousands)	% holding (ord. & sav. shares)	Book values	Shareholders' Equity pro rata	Difference
Subsidiary and Associated Companies				
DDOR NOVI SAD	99.99	130,237	35,130	(95,107)
INCONTRA ASSICURAZIONI S.p.A.	51.00	18,430	6,227	(12,203)
FONDIARIA-SAI NEDERLAND B.V.	100.00	108,988	61,991	(46,997)
MILANO ASSICURAZIONI S.p.A.	57.49	1,283,012	811,331	(471,681)
NUOVE INIZIATIVE TOSCANE S.r.l.	96.88	208,225	104,533	(103,692)
POPOLARE VITA S.p.A.	24.39	491,127	47,910	(443,216)
SAINTERNAZIONALE S.A.	99.99	160,092	146,074	(14,018)

#### ■ Popolare Vita

As already described last year, following the merger of Novara Vita (this latter held 50% by Sai Holding - 100% subsidiary), with Popolare Vita, the investment in this latter, due to the share swap, held by Fondiaria-SAI amounted to 24.39% and by Sai Holding to 25.61%. The carrying values of the investment was Euro 491,127 thousand in Fondiaria-SAI and Euro 127,388 thousand in Sai Holding.

In order to evaluate any permanent losses in the value on the investment, the recoverable value was calculated which takes into account a number of elements, including the discounting of net profits forecast between 2011 and 2017 and the recording of the sales value (Appraisal Value) of the investment, as established contractually, based on adjusted net equity, of the Value of In Force Business and of the estimated Goodwill. These analyses justify the recoverability of the original goodwill recorded for Euro 461.3 million.

An impairment of Euro 79.6 million was however recognised following the recording of permanent losses in value. These latter losses relate to the non re-absorption, considering current and future operations, of that established in previous years in the financial statements of the subsidiary following the incurring of charges related to the restructuring of the Lehman Brothers Indices.

This non re-absorption is currently not of a sufficient extent to affect the full recovery of the goodwill implicitly recorded in the residual value.

#### ■ Milano Assicurazioni

The difference relating to the investment held in Milano Assicurazioni arises from the public offer made in 2008 in addition to the proportional decrease in equity in 2009 related to the distribution of dividends from retained earnings of approx. Euro 39.3 million and, in the current year, to the proportional decrease in equity related to the loss in the year for approx. Euro 294.7 million.

This difference continues not to reflect a permanent loss in value as largely offset by future insurance business and unrealised gains on investment property.

In any case, the correctness of the book value, based on the average unitary value of Euro 3.79 for each ordinary share held, was confirmed by internal valuations, supported by a fairness opinion prepared by independent experts, which allocates to the Milano Assicurazioni share a unitary value of between a minimum of Euro 3.90 and a maximum of Euro 4.40.

#### ■ Nuove Iniziative Toscane

In relation to Nuove Iniziative Toscane, the difference is largely related to non-realised gains on property of the company. Of this difference, Euro 92.5 million was allocated to the investment on the incorporation of La Fondiaria.

The further differences relate to residual goodwill, implicit in the book value of the investment, for Incontra Assicurazioni and DDOR. For this latter, the differential is in part related also to the Voba (Value on business acquired) recorded at the acquisition date. The residual difference relating to Fondiaria-SAI Nederland were largely reabsorbed with unrealised gains on investments held in Lawrence RE.

Finally, the difference relating to Sainternational is due to the valuation of the listed investments held by the company to the stock market prices at year-end, and as such are influenced by market volatility. This relates to investments, such as those in RCS or in Milano Assicurazioni, whose recording in the financial statements of Sainternational at market values was not however considered an indication of a permanent loss in value of the investment.

#### Corporate Bonds

The fixed income securities shown in the account C.II.2 amount to Euro 50,293 thousand (Euro 20,949 thousand at 31/12/2009). They refer to issues of subsidiary companies and other group companies not listed on regulated markets.

The increase is principally due to the subscription of the loan issued by the subsidiary BancaSai for Euro 26,818 thousand and of the company Ex Var, classified under Other Group companies, for Euro 2,526 thousand.

#### Corporate Loans

The “Loans to group companies and other holdings” were as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Subsidiaries	3,052	2,452	600
Other	150	500	(350)
<b>Total</b>	<b>3,202</b>	<b>2,952</b>	<b>250</b>

Loans issued to subsidiary companies relate to:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Casa di Cura Villa Donatello S.p.A.	600	-	600
Centro Oncologico Fiorentino Casa di Cura Villanova S.r.l.	1,952	1,952	-
Saiagricola S.p.A.	500	500	-
<b>Total</b>	<b>3,052</b>	<b>2,452</b>	<b>600</b>

In August 2010, an interest-bearing loan was granted, not assisted by guarantees, to Casa di Cura Villa Donatello S.p.A. for an amount of Euro 600 thousand. The loan matured on December 31, 2010, but was extended by one year following agreement by the parties.

The loan to Saiagricola, for Euro 500 thousand provides for the payment of interest at an average Euribor monthly rate in the period between the month of provision of the loan and the month of maturity or the eventual advanced repayment and increased by a spread of 1.40%. This loan was repaid at the beginning of March 2011.

The loans issued to other Group companies are as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Gruppo GPA S.p.A.	150	500	(350)
<b>Total</b>	<b>150</b>	<b>500</b>	<b>(350)</b>

The loan relating to the GPA Group does not have a fixed maturity as it is a bridge loan while awaiting the completion of the plan for the entry of new shareholders.

When the holding no longer needs the loan, Fondiaria-SAI will have the choice of repayment or conversion into share capital. The interest on the loan is Euribor at one month increased by 1.00%.

On April 23, 2010, a partial repayment of capital of Euro 350 thousand was made.

The changes are reported in attachment 5.

## Other financial investments

(in Euro thousands)	31/12/2010	31/12/2009	Change
Shares and quotas	830,282	1,137,781	(307,499)
Investment fund units	638,398	727,958	(89,560)
Bonds and other fixed-income securities	8,959,957	8,265,201	694,756
Loans	33,096	36,435	(3,339)
Deposits at credit institutions	626	544	82
Other financial investments	87	89,531	(89,444)
<b>Total</b>	<b>10,462,446</b>	<b>10,257,450</b>	<b>204,996</b>

## Shares and quotas included in Other financial investments

The account is composed as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Listed shares	815,000	1,130,102	(315,102)
Non-listed shares	15,282	7,679	7,603
<b>Total</b>	<b>830,282</b>	<b>1,137,781</b>	<b>(307,499)</b>

The investments recorded a loss on valuation of Euro 108,326 thousand (Euro 25,868 million at 31/12/2009) principally relating to listed companies.

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The principal impairments relate to the following listed investments:

- Banca Intermobiliare for Euro 7,774 thousand, entirely relating to the “non-current” investment;
- Unicredit for Euro 12,504 thousand, of which Euro 11,054 thousand relating to the “non-current” investment;
- Generali for Euro 31,917 thousand, of which Euro 30,621 thousand relating to the “non-current” investment;
- Banca Monte dei Paschi di S.p.A. for Euro 33,957 thousand.

Impairments concerning investments in Banca Monte dei Paschi di Siena were carried out according to the market value at 31/12/2010, recorded under current assets, considering the non-strategic nature of the investment which indicated its non-current nature.

In relation to the calculation of impairments in Generali, Unicredit, Monte dei Paschi and Banca Intermobiliare, reference should be made to the section non-current assets.

The write backs in value amount to Euro 1,559 thousand and relate entirely to listed investments.

The carrying value of the listed companies is higher than the market value by Euro 85,645 thousand resulting from the stock market values at the end of December and the exchange rates at the year-end.

The most significant operations relating to the account C.III.1 were as follows:

- MEDIOBANCA: sale of 6,311,601 shares realising a gain of Euro 2,374 thousand.
- PIRELLI & C.: sale of 84,600,000 shares with the realisation of a gain of Euro 15,558 thousand; reduction of the share capital through the allocation to shareholders of 21,188,443 Prelios SpA (formerly Pirelli & C. Real Estate SpA) shares for a value of Euro 9,297 thousand.
- GENERALI: purchase of 930,000 shares with a payment of Euro 14,446 thousand.
- UNICREDIT SPA: subscription of 3,215,163 shares as part of the share capital increase for a payment of Euro 5,109 thousand.
- INTESA SANPAOLO: sale with conferment of 44,000,000 shares to the company Sainternational following obligatory conversion of the bond loan into Intesa SanPaolo shares.

## Investment fund units

(in Euro thousands)	31/12/2010	31/12/2009	Change
Investment fund units	638,398	727,958	(89,560)
<b>Total</b>	<b>638,398</b>	<b>727,958</b>	<b>(89,560)</b>

The account is composed as follows:

	31/12/2010	31/12/2009	Change
<b>Property Funds</b>			
Tikal Fund	241,840	241,840	-
Public Property Funds	66,096	108,286	(42,190)
Rho Property Fund - class A	19,475	19,475	-
Rho Property Fund - class B	52,750	52,750	-
Pan-European Property Fund	17,527	16,639	889
Omicron Plus Property Fund	14,324	20,000	(5,676)
Eracle Fund	14,250	14,250	-
Others	33,576	38,536	(4,961)
<b>Total Property Funds</b>	<b>459,838</b>	<b>511,776</b>	<b>(51,938)</b>
<b>Security Funds</b>			
Gestielle Total Return Fund	43,802	73,000	(29,198)
Gestielle Treasury Coupon Fund	22,005	-	22,005
Bipiemme Monetary Fund	10,500	10,500	-
Gescapital Equity long short sicav	10,000	-	10,000
Others	92,253	132,682	(40,429)
<b>Total Securities Funds</b>	<b>178,560</b>	<b>216,182</b>	<b>(37,622)</b>
<b>Total</b>	<b>638,398</b>	<b>727,958</b>	<b>(89,560)</b>

The decrease in mutual investment funds of Euro 89,560 thousand relates principally to the sale of 310 units and the pro-rata capital repayment of the Public Property Funds for Euro 42,190 thousand realising a gain of Euro 1,787 thousand and the Omicron Plus Fund for Euro 5,676 thousand, realising a gain of Euro 1,725 thousand. The losses recorded on the alignment amounted to Euro 5,492 thousand, while the write-back in value amounted to Euro 2,815 thousand.

## Bonds and other fixed-income securities

(in Euro thousands)	31/12/2010	31/12/2009	Change
Listed	8,822,805	8,084,457	738,348
Non-listed	79,922	117,107	(37,185)
Convertible bonds	57,230	63,637	(6,407)
<b>Total</b>	<b>8,959,957</b>	<b>8,265,201</b>	<b>694,756</b>

In 2010, for prudential reasons, investments in government bonds were favoured, increasing positions in Italian bonds, more attractive in terms of yields, while decreasing positions in Portuguese, Irish, Greek and Spanish bonds.

Compared to the previous year, listed fixed income securities increased by Euro 738,348 thousand, including also securities deriving from the merger by incorporation into Fondiaria-SAI of Italiberia for Euro 92,997 thousand and of Systema Vita for Euro 105,858 thousand.

The decrease in non-listed fixed income securities relates principally to the sale of the corporate bond issued by JP Morgan for Euro 30,000 thousand.

The write-downs to market value in the income statement amounted to Euro 144,900 thousand, while the write-backs amounted to Euro 3,853 thousand.

The listed fixed income securities are recorded in the accounts for a total value lower than the market value of Euro 29,802 thousand determined based on the prices at the end of December and year-end exchange rates.

In relation to the non-current portfolio, the market gains amounted to Euro 87,716 thousand and the losses to Euro 201,651 thousand; these latter are not considered to be permanent losses in value in that the subscription cost, considering the quality of the issuing parties, was considered representative of the realisable value.

The principal losses concern government bonds issued respectively by Italy for Euro 141,227 thousand, Greece for Euro 46,714 thousand and Spain for Euro 7,771 thousand.

The most significant amounts by issuer are shown below:

Issuer - (Euro thousand)	31/12/2010	31/12/2009
ITALIAN STATE	5,938,390	4,801,991
GERMAN STATE	183,121	162,908
GREEK STATE	130,006	376,202
INTESA SANPAOLO SPA (EX B.INTESA)	127,034	104,256
SPANISH STATE	97,232	38,535
ENEL SPA	88,572	112,341
UNICREDIT GROUP	82,727	74,356
FRENCH STATE	69,056	74,239
ENI SPA	63,395	48,914
E.ON INTL FIN BV	57,856	57,792
VEOLIA ENVIRONNEMENT	55,066	67,838
DEUTSCHE TELEKOM INT. FINANCE	51,339	51,377
TELEFONICA EMISIONES SA UNIPERSONAL	51,183	35,294
GOLDMAN SACHS GROUP INC	49,090	34,189
FRANCE TELECOM	46,529	52,476
BANCO POPOLARE SCPA	45,472	38,395
EDF Electricité de France	45,213	45,187
TELECOM SPA	42,308	16,206
GENERALI FINANCE BV	39,714	38,215
KPN	38,352	38,311
SIEMENS FINANCIERINGSMAATSCHAPPIJ N	32,391	36,308
STANDARD CHARTERED BANK	30,973	30,498
BNP PARIBAS	30,534	26,935
AXA	29,606	15,316
IBERDROLA FINANZAS SA	28,783	25,673
ZURICH FINANCE (USA)	28,182	30,487
BELGIUM STATE	27,942	57,426
BRITISH TELECOMMUNICATIONS PLC	27,889	44,500
CEZ	27,858	31,820
CARREFOUR	27,291	27,222
HSBC CAPITAL FUNDING (EURO 2) LP	26,806	25,818
BARCLAYS BANK	26,643	25,993
GAZ CAPITAL	26,286	25,790
SANTANDER INTERNATIONAL DEBT	25,006	11,481
SANTANDER ISSUANCES SA UNIPERSONAL	24,953	38,326
STANDARD CHARTERED PLC	23,948	23,930
UBS AG LONDON BRANCH	23,476	17,497
GENERAL ELECTRIC CAPITAL CORPORATIO	23,042	22,353
SCHERING PLOUGH CORP	22,694	25,112
ALLIANZ FINANCE II BV	22,271	21,256
MORGAN STANLEY	22,062	15,091
GLENCORE FINANCE (EUROPE) SA	21,094	12,126
COMMERZBANK	20,935	29,860
BANK OF AMERICA	20,732	4,454
IRISH STATE	14,390	32,255
PORTUGUESE STATE	2,997	71,168
Others issuers	1,019,516	1,267,482
<b>Total</b>	<b>8,959,957</b>	<b>8,265,201</b>



The company, during the current year, continued constant monitoring on the government bond positions and of corporate bonds with ratings below AAA. In particular, in relation to the Greek and Irish bonds, although aware of the problems affecting the respective countries, the company remains sure that thanks to the support of the European Union no defaults will take place.

In relation to government bonds with ratings below AAA, the positions on Italian securities were increased by Euro 1,136,399 thousand, while reducing the position on Greek bonds by Euro 246,196 thousand, those on Portuguese bonds by Euro 68,171 thousand and those on Irish bonds by Euro 17,865 thousand.

There was no significant exposure in relation to Greek and Irish corporate bonds; at 31/12/2010, the book value, aligned with the market prices, amounted to Euro 25,364 thousand (of which Euro 17,484 thousand maturing in 2011).

At 31/12/2010, the following positions were in the portfolio relating to securities with subordination clauses, for a total book value of Euro 668,117 thousand (Euro 621,222 thousand at 31/12/2009): the net write-downs for recording values at market value in the income statement amounted to Euro 43 thousand.

The characteristics of the individual positions are reported below:

(in Euro thousands)

Section	Issuer	Book value	Nominal value	Maturity date	Level of Subordination	Nominal interest	Advance repayment
C.III.3	ABN AMRO BANK	1,774	2,500	perpetual	Preferred Stock	4.31%	10/03/16
C.III.3	ALLIANZ FINANCE II BV	22,271	28,500	perpetual	Upper Tier 2	4.375%	17/02/17
C.III.3	ALPHA CREDIT GROUP PLC	6,380	11,000	01/02/17	Lower Tier 2	Euribor 3m+40	01/02/12
C.III.3	ASSURANCE GENERALES DE FRANCE SA	2,909	3,500	perpetual	Preferred Stock	4.625%	10/06/15
C.III.3	AVIVA PLC	7,841	8,500	14/11/21	Lower Tier 2	5.75%	14/11/11
C.III.3	AVIVA PLC	4,272	5,000	02/10/23	Lower Tier 2	5.25%	02/10/13
C.III.3	AVIVA PLC	3,816	5,000	perpetual	Preferred Stock	4.729%	28/11/14
C.III.3	AXA	16,112	20,500	perpetual	Preferred Stock	5.777%	06/07/16
C.III.3	AXA	13,495	15,000	16/04/40	Lower Tier 2	5.25%	16/04/20
C.III.3	BANCA CARIGE	3,681	4,000	07/06/16	Lower Tier 2	Euribor 3m+42	07/06/11
C.III.3	BANCA INTERMOBILIARE	974	967	29/07/15	Lower Tier 2	1.50%	29/07/11
C.III.3	BANCA MONTE DEI PASCHI DI SIENA	455	500	30/08/17	Lower Tier 2	Euribor 3m+40	30/11/12
C.III.3	BANCA MONTE DEI PASCHI DI SIENA	4,402	5,000	31/05/16	Upper Tier 2	4.88%	no call
C.III.3	BANCA POPOLARE DELL'EMILIA	178	200	15/05/17	Lower Tier 2	Euribor 3m+35	15/05/12
C.III.3	BANCO BILBAO VIZCAYA ARGENTARIA SA	1,777	2,000	20/10/19	Lower Tier 2	4.38%	20/10/14
C.III.3	BANCO POPOLARE	4,593	5,000	28/04/17	Lower Tier 2	4.75%	no call
C.III.3	BANCO POPOLARE SCPA	14,456	15,500	15/06/16	Lower Tier 2	Euribor 3m+40	15/06/11
C.III.3	BANCO POPOLARE SCPA	15,000	15,000	09/09/16	Lower Tier 2	5.70%	no call
C.III.3	BANK OF NEW YORK LUX	28,675	30,000	15/12/50	Tier 1	Euribor 3m+450	23/02/16
C.III.3	BANK OF NEW YORK LUX	6,890	10,000	30/12/99	Tier 1	Euribor 3m+425	16/04/11
C.III.3	BARCLAYS BANK	8,502	14,000	perpetual	Tier 1	4.75%	15/03/20
C.III.3	BARCLAYS BANK	8,155	8,500	23/01/18	Lower Tier 2	6.00%	no call
C.III.3	BBVA INTL PREF SA UNIPERSONAL	2,728	3,500	perpetual	Tier 1	4.952%	20/09/16
C.III.3	BBVA SUBORDINATED CAPITAL SAU	4,933	5,350	24/10/16	Lower Tier 2	Euribor 3m+30	24/10/11
C.III.3	BCA LOMBARDA PST	7,500	7,500	perpetual	Tier 1	Euribor 3m+337.5	10/03/11
C.III.3	BNP PARIBAS	2,850	3,000	22/01/19	Lower Tier 2	4.375%	22/01/14
C.III.3	BNP PARIBAS	8,329	8,750	perpetual	Tier 1	8.667%	11/09/13
C.III.3	BNP PARIBAS	4,942	5,000	07/09/17	Lower Tier 2	5.431%	no call
C.III.3	BNP PARIBAS CAPITAL TRUST IV	3,492	3,600	perpetual	Tier 1	6.342%	24/01/12
C.III.3	BNP PARIBAS CAPITAL TRUST VI	4,225	4,500	perpetual	Tier 1	5.868%	16/01/13
C.III.3	BNP PARIBAS FORTIS già FORTIS BANK	2,956	3,500	perpetual	Tier 1	4.63%	27/10/14
C.III.3	COMMERZBANK	7,459	8,000	13/09/16	Lower Tier 2	4.125%	13/09/11
C.III.3	COMMERZBANK	9,415	10,000	29/11/17	Lower Tier 2	5.625%	29/11/12
C.III.3	COMMERZBANK	4,061	6,000	perpetual	Tier 1	6.352%	30/06/17
C.III.3	COMMERZBANK CAP FNDG TR UST I	7,290	10,500	perpetual	Tier 1	5.012%	12/04/16
C.III.3	CREDIT AGRICOLE SA	1,995	2,500	perpetual	Tier 1	4.13%	09/11/15
C.III.3	CREDITO VALTELLINESE	493	500	14/03/15	Lower Tier 2	Euribor 3m+47.5	14/03/11
C.III.3	DANSKE BANK	3,462	3,600	26/03/15	Lower Tier 2	5.875%	26/03/12

(in Euro thousands)

Section	Issuer	Book value	Nominal value	Maturity date	Level of Subordination	Nominal interest	Advance repayment
C.III.3	DANSKE BANK	1,890	2,000	20/03/16	Lower Tier 2	6.00%	20/03/13
C.III.3	DANSKE BANK	843	1,000	16/03/18	Upper Tier 2	4.10%	16/03/15
C.III.3	DANSKE BANK	7,201	9,000	perpetual	Tier 1	4.875%	15/05/17
C.III.3	DEUTSCHE BANK AG	1,472	1,500	31/01/13	Lower Tier 2	5.125%	no call
C.III.3	DEUTSCHE CAPITAL TRUST IV	4,352	5,000	perpetual	Tier 1	5.33%	19/09/13
C.III.3	DONG ENERGY A/S	11,071	12,500	perpetual	Preferred Stock	5.50%	29/06/15
C.III.3	ERSTE FINANCE	172	250	perpetual	Preferred Stock	5.25%	23/03/11
C.III.3	GENERAL ELECTRIC CAPITAL CORPORATION	23,042	30,000	15/09/67	Upper Tier 2	5.50%	15/09/17
C.III.3	GENERALI FINANCE BV	4,049	5,000	perpetual	Preferred Stock	5.479%	08/02/17
C.III.3	GENERALI FINANCE BV	35,665	43,000	perpetual	Preferred Stock	5.317%	16/06/16
C.III.3	GENERALI SPA	2,500	2,500	20/07/22	Lower Tier 2	6.90%	20/07/12
C.III.3	GROUPAMA SA	16,864	22,500	perpetual	Preferred Stock	6.298%	22/10/17
C.III.3	HSBC BANK PLC (GIÀ MIDLAND BANK PL	7,266	7,500	18/03/16	Lower Tier 2	4.25%	18/03/11
C.III.3	HSBC CAPITAL FUNDING (EURO 2) LP	26,806	30,000	perpetual	Tier 1	5.3687%	24/03/14
C.III.3	HSBC HOLDINGS PLC	9,987	10,000	19/03/18	Lower Tier 2	6.25%	no call
C.III.3	HYPOVEREINSBANK FUNDING TRUST VIII	2,262	2,500	perpetual	Tier 1	7.055%	28/03/12
C.III.3	ING BANK	2,716	3,000	15/03/19	Lower Tier 2	4.625%	15/03/14
C.III.3	ING BANK	8,654	9,500	28/05/23	Lower Tier 2	6.125%	29/05/18
C.III.3	INTESA SANPAOLO SPA	4,765	5,000	28/06/16	Lower Tier 2	Euribor 3m+30	28/06/11
C.III.3	INTESA SANPAOLO SPA	6,314	7,000	20/02/18	Lower Tier 2	Euribor 3m+25	20/02/13
C.III.3	INTESA SANPAOLO SPA	29,263	30,000	28/05/18	Lower Tier 2	5.75%	28/05/13
C.III.3	INTESA SANPAOLO SPA	15,082	17,500	perpetual	Tier 1	8.047%	20/06/18
C.III.3	INTESA SANPAOLO SPA	6,191	6,300	08/02/16	Lower Tier 2	Euribor 3m+25	08/02/11
C.III.3	INTESA SANPAOLO SPA	10,000	10,000	perpetual	Tier 1	9.50%	01/06/21
C.III.3	INTESA SANPAOLO SPA	5,981	6,000	16/07/20	Lower Tier 2	5.15%	no call
C.III.3	JP MORGAN CHASE BANK	1,837	2,000	29/05/17	Lower Tier 2	4.625%	29/05/12
C.III.3	MEDIOBANCA SPA	749	800	11/10/16	Lower Tier 2	Euribor 3m+30	11/10/11
C.III.3	MUFG CAPITAL FINANCE 4 LTD	6,071	8,000	perpetual	Tier 1	2.636%	25/01/17
C.III.3	PIRAEUS GROUP FINANCE	1,500	3,000	20/07/16	Lower Tier 2	Euribor 3m+55	20/07/11
C.III.3	PROSECURE FUNDING LP	3,758	5,000	30/06/16	Upper Tier 2	4.668%	no call
C.III.3	RBS CAPITAL TRUST A	3,395	5,000	perpetual	Tier 1	6.467%	30/06/12
C.III.3	ROYAL BANK SCOTLAND	3,299	4,000	22/09/21	Lower Tier 2	4.625%	22/09/16
C.III.3	ROYAL BANK SCOTLAND	4,744	5,000	09/04/18	Lower Tier 2	6.934%	no call
C.III.3	RWE	14,456	14,500	perpetual	Preferred Stock	4.625%	28/09/15
C.III.3	SANTANDER ISSUANCES SA UNIPERSONAL	6,876	7,500	23/03/17	Lower Tier 2	Euribor 3m+25	23/03/12
C.III.3	SANTANDER ISSUANCES SA UNIPERSONAL	18,077	19,000	24/10/17	Lower Tier 2	5.435%	24/10/12
C.III.3	SG CAPITAL TRUST III	2,584	3,000	perpetual	Tier 1	5.419%	10/11/13
C.III.3	SIEMENS FINANCIERINGSMAATSCHAPPIJ N	17,864	22,000	14/09/66	Preferred Stock	5.25%	14/09/16
C.III.3	SNS BANK	2,606	2,500	perpetual	Tier 1	5.75%	22/07/13
C.III.3	SOCIETE GENERALE SA	6,445	7,000	07/06/17	Lower Tier 2	Euribor 3m+17.5	07/06/12
C.III.3	SOCIETE GENERALE SA	783	1,000	perpetual	Tier 1	4.196%	26/01/15
C.III.3	STANDARD CHARTERED BANK	17,344	19,000	03/02/17	Lower Tier 2	3.625%	03/02/12
C.III.3	STANDARD CHARTERED BANK	13,629	15,000	26/09/17	Lower Tier 2	5.875%	no call
C.III.3	STANDARD LIFE FINANCE PLC	2,711	2,500	12/07/22	Lower Tier 2	6.375%	12/07/12
C.III.3	UNICREDIT GROUP	16,598	18,000	05/06/18	Upper Tier 2	6.70%	no call
C.III.3	UNICREDIT GROUP	9,905	10,500	26/09/17	Lower Tier 2	5.75%	no call
C.III.3	UNICREDITO ITALIANO CAPITAL TRUST I	3,879	5,000	perpetual	Tier 1	4.028%	27/10/15
C.III.3	VITTORIA ASSICURAZIONI	17	17	01/01/16	Lower Tier 2	5.50%	01/01/11
C.III.3	ZURICH FINANCE (USA)	11,844	12,500	02/10/23	Lower Tier 2	5.75%	02/10/13
	<b>Total</b>	<b>668,117</b>	<b>766,334</b>				

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## Loans

The breakdown of this account is as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Loans with collateral	-	-	-
Loans on policies	28,750	32,363	(3,613)
Other loans	4,346	4,072	274
<b>Total</b>	<b>33,096</b>	<b>36,435</b>	<b>(3,339)</b>

The “Loans on policies” of life insurance decreased by Euro 3,613 thousand compared to 2009 due to the new loans of Euro 8,326 thousand and repayments of Euro 11,939 thousand.

The account “Other loans” is comprised principally of loans to employees against which no guarantees were provided.

### Deposits at credit institutions

They increased by Euro 82 thousand from Euro 544 thousand in 2009 to Euro 626 thousand. The amount includes bank deposits subject to more than 15 days notice period.

Attachment 10 reports changes in year of loans and deposits at credit institutions.

### Other financial investments

The account amounted to Euro 87 thousand (Euro 89,531 thousand in 2009).

The net decrease of Euro 89,444 thousand on the previous year is principally due to the maturity of time deposits.

### Deposits with reinsuring companies

They decreased by Euro 4,863 thousand from Euro 61,689 thousand at 31/12/2009 to Euro 56,826 thousand at 31/12/2010: of this Euro 29,466 thousand refers to Milano Assicurazioni.

## HEDGING OPERATIONS

In accordance with ISVAP Regulation No. 36 of 31/01/2011 concerning derivative financial instruments, ISVAP provision No. 297 of 19/07/1996 was repealed and in accordance with attachment 2, section 17 of Regulation 22 of 04/04/2008, in 2010 the Company undertook derivative finance contracts. This activity was undertaken in accordance with the Board of Directors' resolution of March 23, 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. These instruments are suitable to verify the alignment between the operations undertaken and the strategies agreed, and the efficiency of the hedging operations in accordance with the limits assumed. In addition for each hedging operation, the relative "Hedging Relationship Documentation" was prepared in accordance with the above-mentioned resolution in compliance with international accounting standards.

### Open positions at the end of the year of derivative hedging instruments:

#### Put purchases and call sales on Pirelli & C. ordinary shares (post regrouping)

- hedging operations on listed securities through the constitution of a combined option portfolio (put purchase - call sale). The quantity of shares in portfolio subject to hedging amounted to 9,263,266 Pirelli & Co. ordinary shares (post regrouping). This strategy covered a large part of the latent market gains on the listed equity market, which on expiry settles the difference and the delivery of the underlying security. In 2010, relating to the open positions, Euro 256 thousand was recorded under charges to be realised regarding the difference between premiums received and premiums paid.

#### Interest rate swaps

Summarised table:

(in Euro  
thousands)

Notional	Expiry	Counterparty	Fixed rate %	Variable rate	Negative differential recorded in 2010	Valuation at 31/12/2010
200,000	23-07-13	Mediobanca	3.970	Euribor 6 m Act/360	(5,802)	(11,025)
100,000	23-07-13	Mediobanca	3.990	Euribor 6 m Act/360	(2,921)	(5,562)
100,000	23-07-13	Mediobanca	3.930	Euribor 6 m Act/360	(2,861)	(5,497)
150,000	14-07-16	Unicredit Bank	3.180	Euribor 6 m Act/360	(3,187)	(4,308)
100,000	30-12-15	Royal Bank of Scotland	3.080	Euribor 6 m Act/360	(2,049)	(2,612)
100,000	14-07-18	Royal Bank of Scotland	3.309	Euribor 6 m Act/360	(2,271)	(2,006)
<b>750,000</b>					<b>(19,091)</b>	<b>(31,010)</b>

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In detail:

- Interest Rate Swap with expiry July 23, 2013 made with Mediobanca for a nominal amount of Euro 200,000,000 to hedge the interest risk on part of the subordinated loan agreed in 2002; with this contract the counterparty receives fixed interest of 3.97% paying Euribor 6 months. The negative differential between fixed rate cash flows and variable rate cash flows relating to 2010 amounts to Euro 5,802 thousand and were recorded under investment charges; the data includes also the deferred charge of Euro 2,452 thousand. At 31/12/2010, the contract had a valuation loss of Euro 11,025 thousand.
- Interest Rate Swap with expiry July 23, 2013 made with Mediobanca for a nominal amount of Euro 100,000,000 to hedge the interest risk on part of the subordinated loan agreed in 2002; with this contract the counterparty receives fixed interest of 3.99% paying Euribor 6 months. The negative differential between fixed rate cash flows and variable rate cash flows relating to 2010 amounts to Euro 2,921 thousand and were recorded under investment charges; the data includes also the deferred charge of Euro 1,235 thousand. At 31/12/2010, the contract had a valuation loss of Euro 5,562 thousand.
- Interest Rate Swap with expiry July 23, 2013 made with Mediobanca for a nominal amount of Euro 100,000,000 to hedge the interest risk on part of the subordinated loan agreed in 2002; with this latter I.R.S. contract, the subordinated loan of 2002 is entirely covered for the entire Euro 400,000,000. With this contract the counterparty received the fixed rate of 3.93% paying Euribor at 6 months. The negative differential between fixed rate cash flows and variable rate cash flows relating to 2010 amounts to Euro 2,861 thousand and were recorded under investment charges; the data includes also the deferred charge of Euro 1,209 thousand. At 31/12/2010, the contract had a valuation loss of Euro 5,497 thousand.
- Interest Rate Swap with expiry July 14, 2016 made with Unicredit Bank (ex H.V.B) for a nominal amount of Euro 150,000,000 to hedge the interest risk on the subordinated loan agreed in 2006; with this contract the counterparty receives fixed interest of 3.18% paying Euribor 6 months. The negative differential between fixed rate cash flows and variable rate cash flows relating to 2010 amounts to Euro 3,187 thousand and were recorded under investment charges; the data includes also the deferred charge of Euro 1,430 thousand. At 31/12/2010, the contract had a valuation loss of Euro 4,308 thousand.
- Interest Rate Swap with expiry December 30, 2015 made with R.B.S. for a nominal amount of Euro 100,000,000 to hedge the interest risk on the subordinated loan agreed in 2005; with this contract the counterparty receives fixed interest of 3.08% paying Euribor 6 months. The negative differential between fixed rate cash flows and variable rate cash flows relating to 2010 amounts to Euro 2,049 thousand and were recorded under investment charges; the data includes also the accrued interest of Euro 3 thousand. At 31/12/2010, the contract had a valuation loss of Euro 2,612 thousand.
- Interest Rate Swap with expiry July 14, 2018 made with R.B.S. for a nominal amount of Euro 100,000 thousand to hedge the interest risk on part of the subordinated loan with a perpetual duration agreed in 2008; with this contract the counterparty receives fixed interest of 3.309% paying Euribor 6 months. The negative differential between fixed rate cash flows and variable rate cash flows relating to 2010 amounts to Euro 2,271 thousand and were recorded under investment charges; the data includes also the deferred charge of Euro 1,013 thousand. At 31/12/2010, the contract had a valuation loss of Euro 2,006 thousand.

## Open positions at the end of the year of derivative non-hedging instruments:

### Credit Default Swap

Summarised table:

(in Euro thousands)

Notional	Expiry	Counterparty	Issuer hedged	Cost	Costs recorded In 2010	Valuation at 31/12/2010
15,000	20-06-11	BNP Paribas	Banco Popolare sub	100 bps per year	(151)	261
5,000	20-02-13	Morgan Stanley	Serbian Republic	306 bps per year	(155)	(83)
10,000	20-02-13	Morgan Stanley	Serbian Republic	300 bps per year	(304)	(154)
10,000	20-02-13	Morgan Stanley	Serbian Republic	285 bps per year	(289)	(123)
<b>40,000</b>					<b>(899)</b>	<b>(99)</b>

In detail:

- Credit Default Swap on a nominal amount of Euro 15,000 thousand with BNP Paribas, annual cost 100 bps, with expiry on June 20, 2011 to hedge the issuer risk of Banco Popolare on subordinated bonds. The premiums paid and expensed in 2010 amounted to Euro 151 thousand; the accrued expenses amounted to Euro 5 thousand. At 31/12/2010 the valuation gain was Euro 261 thousand.
- Credit Default Swap on a nominal amount of Euro 5,000 thousand with Morgan Stanley, annual cost 306 bps, with expiry on February 20, 2013 to hedge the issuer risk of the Republic of Serbia. The premiums paid and expensed in 2010 amounted to Euro 155 thousand; the accrued expenses amounted to Euro 57 thousand. At 31/12/2010 the valuation loss was Euro 83 thousand.
- Credit Default Swap on a nominal amount of Euro 10,000 thousand with Morgan Stanley, annual cost 300 bps, with expiry on February 20, 2013 to hedge the issuer risk of the Republic of Serbia. The premiums paid and expensed in 2010 amounted to Euro 304 thousand; the accrued expenses amounted to Euro 111 thousand. At 31/12/2010 the valuation loss was Euro 154 thousand.
- Credit Default Swap on a nominal amount of Euro 10,000 thousand with Morgan Stanley, annual cost 285 bps, with expiry on February 20, 2013 to hedge the issuer risk of the Republic of Serbia. The premiums paid and expensed in 2010 amounted to Euro 289 thousand; the accrued expenses amounted to Euro 105 thousand. At 31/12/2010 the valuation loss was Euro 123 thousand.
- Investment charges also includes Euro 277 thousand relating to the quota of premiums on the Credit Default Swap indicated above and Euro 278 thousand reversed from the previous year.

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### **Range Accrual Swap**

- Range Accrual Swap on a nominal amount of Euro 2,500 thousand with Banca IMI, expiry 07/05/2020; under this contract the counterparty receives 3% annually and pays 6.5% annually considering the days in which the spread between the CMS rate at 30 years and the CMS rate at 10 years is positive. The positive differential of 2010 cash flows amounted to Euro 44 thousand and were recorded under investment income. At 31/12/2010 the valuation gain was Euro 170 thousand.
- Range Accrual Swap on a nominal amount of Euro 5,000,000 with BNP Paribas, expiry 01/04/2020; under this contract the counterparty receives 3% annually and pays 5.25% annually considering the days in which the spread between the CMS rate at 30 years and the CMS rate at 10 years is positive. The positive differential of 2010 cash flows amounted to Euro 87 thousand and were recorded under investment income. At 31/12/2010 the valuation loss was Euro 301 thousand.
- Range Accrual Swap on a nominal amount of Euro 3,750 thousand with Banca IMI, expiry 28/10/2020; under this contract the counterparty receives 3% annually and pays 6.525% annually considering the days in which the spread between the CMS rate at 30 years and the CMS rate at 10 years is positive. At 31/12/2010 the valuation gain was Euro 273 thousand.

### **Options on index-linked securities**

- The amount at 31/12/2010 of the options related to international equity baskets or indices was Euro 87 thousand (at 31/12/2009 Euro 65 thousand); the gains realised in the year on these options amounted to Euro 3 thousand, with the losses realised amounting to Euro 18 thousand and alignment to market prices amounting to Euro 3 thousand.

At 31/12/2010, a risks and charges provision had been created against the valuation losses on non-hedging derivative instruments for Euro 662 thousand.

## Closed positions in the year of derivative hedging instruments:

### Put purchases-call sales on equities

- Among the hedge operations on equity securities (put purchases - call sales) the following positions were closed:

Summarised table:

	Quantity	Net gains realised on options	Net losses realised on options	Differentials between premiums received and paid	Net extraordinary realised on underlying	Decrease in net carrying value
(in Euro thousands)						
<b>MEDIOBANCA:</b>						
Underlying assets	6,311,601	-		-	2,374	(292)
Options	8,837,722	14,794		(53)	-	-
<b>PIRELLI &amp; C. ord (pre-regrouping):</b>						
Underlying asset (pre-regrouping)	84,600,000			-	15,558	-
Options (pre-regrouping)	68,571,231		(10,723)	(53)	-	-
<b>Impact on carrying value of the underlying</b>	-	-		-	-	<b>(292)</b>
<b>Economic result deriving from sale of the underlying</b>	-	-		-	<b>17,932</b>	-
<b>Economic result deriving the closure of the options</b>	-	<b>14,794</b>	<b>(10,723)</b>	<b>(106)</b>	-	-

In detail:

- Mediobanca – partial closure within the first quarter of 2010 of 2,526,121 options resulting in a receipt of Euro 292 thousand recorded as an increase in the carrying value of Mediobanca shares for Euro 94 thousand and a decrease in the carrying value of Euro 386 thousand. It was not considered appropriate to sell the underlying shares. A further closure of the residual part of the hedge through the closure in the second quarter of 2010 of 6,311,601 options which resulted in income of Euro 14,794 thousand as the average strike price above the market price and recorded under asset and financial income (gains realised). At the same time as the closure of the options, the sale of 6,311,601 shares realising a gain of Euro 2,374 thousand recorded under extraordinary gains as the Mediobanca shares were recorded in the non-current segment. During the year, the negative differentials between receipts and payments was Euro 60 thousand and was recorded as losses realised while the positive differential between the premiums collected and the premiums paid amounted to Euro 7 thousand and were recorded under gains realised.



- Pirelli & C. ord. (pre-regrouping) – partial closure of 68,571,231 options which resulted in the expense of Euro 10,723 thousand at the average strike price which was lower than the market price and was recorded under asset and financial charges (losses realised). At the same time as the closure of the options, the sale of 84,600,000 shares realising a gain of Euro 15,558 thousand recorded under extraordinary income as the Pirelli & C. ord shares were included in the non-current segment. During the year the negative differentials between receipts and payments amounted to Euro 53 thousand and were recorded under losses realised.

### Closed positions in the year of derivative non-hedging instruments:

Among the non hedged derivative instruments the following positions were closed:

Summarised table:

(in Euro thousands)	Gains realised	Asset & Financial Income	Losses realised	Asset & Financial Charges
FORWARD VARIANCE SWAP	-	689	-	(345)
CREDIT DEFAULT SWAP	64			(21)
CONVEXITY TRADE	-	81	-	-
ACQUISTI CALL on the Eurostoxx50 index	-	-	(737)	-
<b>Economic result</b>	<b>64</b>	<b>770</b>	<b>(737)</b>	<b>(366)</b>

In detail:

- Forward Variance Swap on the Eurostoxx50 index. On 05/03/2010, 1,280 contracts were acquired on the variance with strike of 681.21 with Société Generale. On 08/04/2010, 640 contracts were closed with the same counterparty, recording Euro 20 thousand to asset and financial income. On 17/12/2010, the 640 remaining contracts matured; as the variance at maturity was 289.076, Euro 251 thousand was recorded under asset and financial charges.
- Forward Variance Swap on the Eurostoxx50 index. On 28/04/2010, 320 contracts were sold on the variance with strike of 900 with Credit Suisse. On 07/05/2010, a further 320 contracts were sold with the same counterparty with the strike of 1,253.16. On 17/12/2010, the 640 contracts matured; as the variance at maturity was 289.076, Euro 504 thousand was received recorded under asset and financial income.
- Forward Variance Swap on the Eurostoxx50 index. On 18/06/2010, 834 contracts on the variance acquired on 13/08/2009 with a strike of 900 with the counterparty BNP Paribas matured; as the variance at maturity was 1,098.16, Euro 165 thousand was received and recorded under asset and financial income.

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- Forward Variance Swap on the Eurostoxx50 index. On 18/06/2010, 834 contracts on the variance sold on 03/11/2009 with a strike at 985.96 with the counterparty Goldman Sachs matured; as the variance at maturity was 1,098.16, Euro 94 thousand was paid and recorded under asset and financial charges.
  - Variance Volatility Spread Swap (Convexity trade). On 21/05/2010, 6,132 contracts were acquired on the volatility of the Eurostoxx50 index with a strike of 43 and 122.64 contracts sold on the variance of the Eurostoxx50 index with strike of 2.209 and cap on volatility of 94; counterparty BNP Paribas. On 17/12/2010, the contract matured and as the volatility was 20.41 and the variance was 416.675, based on the contractual conditions Euro 81 thousand was received and recorded under asset and financial income.
  - Credit Default Swap hedging the issuer risk of Merrill Lynch; against the advanced closure with BNP Paribas, Euro 64 thousand was recorded under profits realised on investments and Euro 21 thousand concerning 2010 premiums paid and recorded under asset and investment charges.
  - Purchase of call options on the Eurostoxx50 index with maturity 17/09/2010; total of 13,575, average strike of 2,883.44. The total payment was Euro 880 thousand. The options were closed in advance of maturity with receipt of Euro 143 thousand; the net result was a loss of Euro 737 thousand and recorded under deferred charges.

## **Non-current investments**

ISVAP issued provisions in relation to the classification and valuation of the security portfolio of insurance companies, as enacted by ISVAP Regulation No. 36 of January 31, 2011, in particular in relation to the identification of the principal characteristics, in qualitative and quantitative terms, of the current and non current investment segment.

The assets destined, as per article 15 of Legislative Decree 173/97, to be held by the company for stable investments are attributed to the segment “Non-current investments”.

They relate to classes B “Intangible assets”, C.I “Land and buildings” and “Financial Instruments” of classes C.II and C.III. The Board of Directors’ resolution of March 26, 2004 redefined the guidelines in order to stabilise the structure of the financial instruments portfolio in order to contain the level of fixed assets and risks deriving from their composition in line with the planning of the management of the portfolio and the time period of the commitments assumed with the 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 the moment of the allocation of the security to the segment.

A further condition for a non-current financial instrument is that it must have at least a BBB- rating or equivalent.

In accordance with the above stated Regulation 36, in the coming month of May, a new resolution will be passed to comply with the requirements, guaranteeing always an integrated management of assets and liabilities.

The non-current assets represented by securities and investments at 31/12/2010 amounted to Euro 8,161,458 thousand, corresponding to approx. 57.94% of the securities portfolio of the company (classes C.II and C.III) divided as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Investments and funds	4,200,795	4,900,657	(699,862)
Fixed-income securities	3,960,663	3,418,141	542,522
<b>TOTAL</b>	<b>8,161,458</b>	<b>8,318,798</b>	<b>(157,340)</b>

In particular, included among the non-current investments are the following investments:

Company	Book value (in Euro thousands)	Number of shares
<b>Investments in subsidiary companies</b>	<b>3,470,822</b>	-
<b>Investments in associated companies</b>	<b>37,528</b>	-
<b>Other companies:</b>		
<u>Listed</u>		
Mediobanca	184,227	27,054,271
Generali	150,885	7,544,264
Pirelli & C	109,651	21,032,307
Gemina	61,337	61,336,588
Unicredit	41,099	13,257,888
Rcs Mediogroup	25,525	16,430,498
Banca Intermobiliare	11,217	2,683,400
Prelios (ex Pirelli & C)	7,188	16,382,307
Industria e Innovazione	1,600	532,800
Intesa San Paolo	756	184,083
<b>Total listed companies</b>	<b>593,485</b>	-
<b>Total mutual investment funds</b>	<b>238</b>	-
<u>Non-listed</u>		
Alitalia - Compagnia Aerea Italiana S.p.A	50,000	29,589,882
European Institute of Oncology	17,406	10,186,526
Other non-listed	31,316	-
<b>Total non-listed companies</b>	<b>98,722</b>	-
<b>Total other companies</b>	<b>692,445</b>	-
<b>TOTAL</b>	<b>4,200,795</b>	-

The comparison between the book value of listed securities included in the non-current asset segment and their market value was determined based on the stock market prices at year-end, showing net losses of Euro 1,080,374 thousand, of which Euro 966,317 thousand refers to equity investments and Euro 114,057 thousand referring to fixed income securities.

The principal net losses refer to the following investments:

**Company**

(in Euro thousands)

<b>Investments in subsidiaries, of which:</b>	<b>(879,010)</b>
<b>Milano Assicurazioni</b>	<b>(879,010)</b>
<b>Investments in other listed companies</b>	<b>(87,307)</b>
Generali	(43,031)
Gemina	(28,834)
Mediobanca	(3,337)
RCS Mediagroup	(8,638)
Unicredit	(20,283)
Pirelli & C	17,496
Other	(680)
<b>TOTAL</b>	<b>(966,317)</b>

Overall non-current assets recorded losses on sale in the income statement for Euro 354,033 thousand, relating to investments in non-listed subsidiary companies for Euro 293,262 thousand, investments in associated companies Euro 10,500 thousand, investments in other group companies Euro 264 thousand, investments in listed companies of Euro 49,449 thousand, and other non-listed investments for Euro 558 thousand.

Obligatory write-back of values were also recorded of Euro 98 thousand, relating to bond securities for Euro 55 thousand and mutual funds for Euro 43 thousand.

As outlined in the comment on Class C III listed shares in the Investments section:

- the carrying value of Banca Intermobiliare was written-down by Euro 7,774 thousand in line with the market value, based on the conditions of the public purchase offer launched by Veneto Banca which values the share at Euro 4.25;
- the unitary carrying value in Generali was reduced to Euro 20 per share with a charge in the income statement of Euro 30,621 thousand;
- the unitary carrying value in Unicredit was reduced to Euro 3.10 per share with a charge in the income statement of Euro 11,054 thousand.

An internal analysis was carried out to establish these latter two impairments, in turn confirmed by a fairness opinion on the appropriateness of the methodologies used by an independent expert.

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These analyses, carried out using commonly utilised methodologies by specialised operators, including the DDM or the Sum of Parts method, were drawn up utilising public information under the so-called “desk valuation” approach and therefore without access to management of the individual companies. The analysis undertaken in order to determine the recoverable value of the above-mentioned investments are made from a medium-long term period viewpoint, which does not appear in line with current Stock Market movements.

In particular, for Generali a unitary valuation interval between Euro 19.4 and Euro 26.3 was identified, while for UCI 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 target price of the reports published by the financial community.

This provided the opportunity to reduce the carrying value of the shares, aligning them to the maximum level of the target prices of Euro 20 for the Generali shares and Euro 3.1 for the Unicredit shares.

In relation to the investments held in RCS and in Gemina the losses compared to the market value were not considered permanent losses in value, thanks also to the above-stated analyses. In particular for RCS, a unitary 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.

In relation to Gemina, a simple equity method was utilised, integrated with the substitution of the carrying value held in Aereoporti di Roma with the current value of the investment. This latter was calculated through a DCF method based on the period of the ADR S.p.A. plan. An alternative valuation procedure which takes account, according to the DCF method, of only the period of the Gemina S.p.A. plan was carried out as a further support.

The valuation range was between Euro 0.90 and Euro 1.26 per share which confirms the unitary carrying value of Euro 1 per share.

We recall that RCS and Gemina were subject to write-downs in the past two years.

As previously described, the loss in the investment in Milano Assicurazioni was not considered a permanent loss in value. Excluding considerations regarding the control of the investment (indicating that the Stock Market prices result from minority shareholder transactions, and as such, are not representative of the intrinsic value of the investment), a recoverability test on the investment was carried out based on the financial method known as the “Sum of Parts”.

This resulted in the separate valuation of:

- **Non-Life Business:** the DDM excess capital method was used. The cash flows utilised were those of the 2011 budget of the Milano Group, in addition to internal forecasts for the 2012-2013 period on the principal indicators such as premiums, the combined ratio and investment income.  
Cash flows for the period 2014-2015 are based on estimates utilising the same parameters to establish a normalised level of profitability.

- **Life Business:** the Appraisal Value method was utilised, i.e. the sum of the adjusted net equity, the value in force (VIF) and the Goodwill attributable to new future business.
- **Real Estate Business:** the simple equity method was applied.

The valuations carried out, utilising also the methods for the impairment test conducted in accordance with IAS 36 for the consolidated financial statements, highlighted a unitary valuation interval between Euro 3.90 and Euro 4.40 and therefore confirmed the carrying value. The analyses were thereafter confirmed by a fairness opinion of an independent expert.

The change in the year of the non-current investments included in the accounts C.III.1, C.II.2, C.III.3 and C.III.7 are shown in attachments 8 and 9.

The movements of financial instruments in the year were as follows:

(in Euro thousands)

Total at 31/12/2009	8,318,798
- mergers and acquisitions	1,350,042
- capital operations	62,097
- discounting	13,737
- sales and mergers	(1,177,038)
- transfers to "current" portfolio	(52,243)
- value adjustments	(353,935)
Total at 31/12/2010	8,161,458

As the Banca Monte dei Paschi investment during the year was considered principally of a non-strategic and short-term nature, the portfolio was transferred from "non-current assets" to "current assets" for an amount of Euro 52,243 thousand.

This resulted in the relative valuation loss of Euro 33.9 million.

## SECTION 3

### INVESTMENTS WHERE RISK IS BORNE BY LIFE POLICYHOLDERS AND PENSION FUND MANAGEMENT – (Account D)

They amount to Euro 434,766 thousand and refer for Euro 229,145 thousand to Investments in class D.I. and for Euro 205,621 thousand to Investments in class D.II. (at 31/12/2009 Euro 517,323 thousand, of which Euro 338,835 thousand referring to class D.I.).

In accordance with Isvap circular No. 360/D of January 21, 1999 transfers were made from class D to class C totalling Euro 153 thousand due to advanced redemptions. During the year no transfers were made between class C and class D.

The following movements in the class D investments are reported below:

(in Euro thousands)	2010	2009	Change
<b>Index-linked</b>	145,273	211,697	(66,424)
<b>Unit-linked</b>	83,872	127,138	(43,266)
<b>Pension funds</b>	205,621	178,488	27,133
<b>TOTAL</b>	<b>434,766</b>	<b>517,323</b>	<b>(82,557)</b>

The change principally relates, for the Index-linked securities, to the repayment of corporate listed securities of Euro 65,353 thousand, for unit-linked securities to the purchase of mutual funds for Euro 23,311 thousand and the sale in the same class for Euro 67,615 thousand.

The change in pension funds principally follows an increase in investments both in investments in listed companies for Euro 8,551 thousand and in government securities for Euro 9,911 thousand.

Attachment 11 and 12 show, separately for each product type, the composition of the investments.

The composition of Pension Funds by nature and by segment is shown below, while for further details reference should be made to the specific statement attached to the accounts.

### SAI Open Pension Fund

(in Euro thousands)

	Previ-bond Segment	Previ-gest Segment	Previ-mix Segment	Previ-capital Segment	Previ-europe Segment	Previ-global Segment
<b>Management lines</b>						
Shares and quotas	-	869	9,986	234	3,960	1,447
Bonds and fixed-income securities	7,157	7,694	11,694	1,703	351	112
Other assets	831	893	1,058	148	734	411
	<b>7,988</b>	<b>9,456</b>	<b>22,738</b>	<b>2,085</b>	<b>5,045</b>	<b>1,970</b>

## Fondiaria Previdente Pension fund

(in Euro thousands)

	Equity Segment	Balanced Segment	Bond Segment	Monetary Segment	Guaranteed Segment
<b>Management lines</b>					
Shares and quotas	38,767	14,401	-	-	469
Bonds and fixed-income securities	2,153	15,550	15,902	3,946	5,384
Other assets	6,254	1,176	1,264	354	658
	<b>47,174</b>	<b>31,127</b>	<b>17,166</b>	<b>4,300</b>	<b>6,511</b>

## Conto Previdenza Pension Fund

(in Euro thousands)

	Equity Segment	Balanced Segment	Bond Segment	Guaranteed Segment	Premium TFR Segment
<b>Management lines</b>					
Shares and quotas	10,170	7,517	-	1,495	75
Bonds and fixed-income securities	299	8,091	5,759	12,370	1,117
Other assets	1,581	457	91	786	253
	<b>12,050</b>	<b>16,065</b>	<b>5,850</b>	<b>14,651</b>	<b>1,445</b>

## SECTION 4

### TECHNICAL RESERVES – REINSURANCE AMOUNT – (Account D bis)

They recorded a total decrease of Euro 22,651 thousand, as illustrated in the table below:

(in Euro thousands)	31/12/2010	31/12/2009	Change
<b>NON-LIFE DIVISION</b>			
Unearned premium reserve	51,397	47,943	3,454
Claims reserve	282,689	311,731	(29,042)
<b>TOTAL</b>	<b>334,086</b>	<b>359,674</b>	<b>(25,588)</b>
<b>LIFE DIVISION</b>			
Actuarial reserves	99,603	97,734	1,869
Reserve for sums to pay	3,062	1,994	1,068
<b>TOTAL</b>	<b>102,665</b>	<b>99,728</b>	<b>2,937</b>
<b>TOTAL</b>	<b>436,751</b>	<b>459,402</b>	<b>(22,651)</b>

The premium reserves of the non-life classes of the reinsurers are analysed for option agreements and excess claims, while for the proportional agreements the same criteria is utilised for the determination of the direct business premium reserve.

Other technical reserves of the Non-Life and Life classes of reinsurers were not recorded in the accounts.



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## SECTION 5

### RECEIVABLES - (Account E)

(in Euro thousands)	31/12/2010	31/12/2009	Change
Receivables from direct insurance operations	1,186,404	1,156,482	29,922
Receivables from reinsurance operations	69,180	58,712	10,468
Other receivables	646,534	761,119	(114,585)
	<b>1,902,118</b>	<b>1,976,313</b>	<b>(74,195)</b>

#### Receivables from direct insurance operations

(in Euro thousands)	31/12/2010	31/12/2009	Change
Receivables from policyholders for premiums	454,959	429,353	25,606
Insurance brokers	592,684	582,785	9,899
Insurance company current accounts	84,732	104,605	(19,873)
Policyholders and others for sums to be recovered	54,029	39,739	14,290
	<b>1,186,404</b>	<b>1,156,482</b>	<b>29,922</b>

Against the total gross amount of Euro 492,531 thousand of receivables from policyholders for premiums (of which Euro 446,036 thousand relating to premiums for the year and Euro 46,495 thousand relating to premiums for previous years), at 31/12/2010 a doubtful debt provision for possible non collection from policyholders for Euro 37,572 thousand was recorded (Euro 7,499 thousand for premiums relating to the current year and Euro 30,073 thousand for premiums relating to previous years).

The breakdown by class of the Doubtful Debt Provision for possible cancellations and non compliance by the policyholders is shown below:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Accident	1,929	2,170	(241)
Health	2,608	2,205	403
Land vehicles	2,097	2,377	(280)
Aviation	8	7	1
Maritime	540	437	103
Goods in transit	885	755	130
Fire	5,056	3,918	1,138
Other property damage	3,098	2,836	262
Motor TPL	4,004	6,119	(2,115)
Aviation TPL	8	10	(2)
Maritime TPL	16	22	(6)
General TPL	4,053	3,859	194
Credit	-	20	(20)
Bonds	12,850	12,052	798
Pecuniary losses	200	170	30
Legal expenses	31	27	4
Assistance	35	52	(17)
<b>TOTAL NON-LIFE DIVISION</b>	<b>37,418</b>	<b>37,036</b>	<b>382</b>
Life insurance	154	155	(1)
<b>TOTAL LIFE DIVISION</b>	<b>154</b>	<b>155</b>	<b>(1)</b>
<b>TOTAL</b>	<b>37,572</b>	<b>37,191</b>	<b>381</b>

The provision in the year amounted to Euro 10,910 thousand and the utilisation against losses in the year amounted to Euro 10,529 thousand, already subject to previous provisions. The methods utilised to determine the provisions are based on general criteria, separated by Class, which take account, in addition to the ageing of the receivables in portfolio, also of the losses on receivables in the year.

The receivables from insurance brokers were largely received in January. Against the total gross amount of Euro 613,832 thousand, a prudent provision was made of Euro 21,148 thousand for possible losses on agents and former agents.

The current accounts include the parts related to coinsurance, the Direct Compensation Convention, the payments of claims on behalf of foreign insurance companies and the Road Victim Fund, as well as the receivables for services.

Against the gross amount of Euro 84,887 thousand, a Doubtful Debt Provision was made of Euro 155 thousand.

## Receivables from reinsurance operations

(in Euro thousands)	31/12/2010	31/12/2009	Change
Insurance and reinsurance companies	69,020	58,593	10,427
Reinsurance brokers	160	119	41
	<b>69,180</b>	<b>58,712</b>	<b>10,468</b>

The gross value of the receivables deriving from reinsurance operations, amounting to Euro 78,020 thousand, is adjusted prudently by the amount of Euro 9,000 thousand recorded in the Doubtful Debt Provision against the estimate of possible losses from some counterparties.

## Other receivables

The most significant other accounts within “Other Receivables” before the relative doubtful debt provision are shown below:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Tax receivables	420,939	424,172	(3,233)
Group IRES income tax receivables	15,386	41,387	(26,001)
Receivables from subsidiaries	161,801	252,980	(91,179)
Other receivables	37,489	49,743	(12,254)
Customers and rental	27,504	11,923	15,581
Doubtful debt provision	(16,585)	(19,086)	2,501
<b>Total</b>	<b>646,534</b>	<b>761,119</b>	<b>(114,585)</b>

The “Other Receivables” amount to Euro 663,119 thousand (Euro 780,205 thousand in 2009) prudently adjusted for an amount of Euro 16,585 thousand for a Doubtful Debt Provision against possible losses deriving from non collectability of some trade amounts due.

“Other Receivables” include receivables from tax authorities for withholding taxes, payments on account on the actuarial reserves paid in accordance with Legislative Decree 209/2002, the payment on account for the Non-Life insurance taxes pursuant to Legislative Decree 282/2004 and reimbursements requested and related interest totalling Euro 420,939 thousand.

Of these, Euro 200,546 thousand relates to Group Ires income tax credit from the excess in the 2009 balance, while Euro 5,295 thousand refers to the receivables from the tax authorities transferred during the year to the Company which, as consolidating companies, will settle and pay the Group income tax, in accordance with the consolidated tax regime as per article 117 and subsequent of Pres. Decree 917/1986.

Among reimbursements requested Euro 6,715 thousand refers to a request made on behalf of all of the Companies within the tax consolidation regime, relating to higher income taxes paid following the forfeit Irap deductions of 10% for the tax years 2004 to 2007, pursuant to article 6 of Legislative Decree 185/2008.

Also in accordance with this tax regime, “Other receivables” includes amounts due from subsidiaries in the Group tax consolidation of Euro 15,386 thousand relating to the income tax for the year of these companies transferring the assessable income, of which Euro 5,413 thousand relating to the tax estimate for 2010.

The counter-entry of this amount is recorded in tax provisions, net of the payables to consolidated companies which recorded tax losses in the year and up to the amount of tax savings related to these losses.

The inter-group settlement of the creditor and debtor positions illustrated above will be on the basis of net tax payables existing.

The decrease in receivables on the previous year is principally due to the non recording of receivables from dividends to be paid at the end of the year, against Euro 95,137 thousand declared in the previous year.

### **Details of the receivables recorded in accounts C and D of the assets by maturity and nature.**

The table below was prepared in relation to the previous accounts illustrated under assets and in accordance with section 16 of Legislative Decree No. 173 of May 26, 1997.

(in Euro thousands)	<b>Receivables from policyholders for premiums</b>	<b>Other receivables from direct insurance operations</b>	<b>Receivables relating to reinsurance balance</b>	<b>Other receivables and Loans</b>	<b>Total</b>
Within 1 year	454,959	563,893	126,006	619,838	1,764,696
Between 1 and 5 years	-	84,638	-	28,840	113,478
Over 5 years	-	82,914	-	30,952	113,866
<b>TOTAL</b>	<b>454,959</b>	<b>731,445</b>	<b>126,006</b>	<b>679,630</b>	<b>1,992,040</b>

The receivables due between one and five years consist of Euro 24,721 thousand of receivables from the tax authorities, Euro 4,119 thousand employee loans and Euro 84,638 thousand receivables from agents.

The receivables due over five years refer for Euro 82,914 thousand to receivables from agents and Euro 28,750 thousand to loans provided on policies and for Euro 2,202 thousand to receivables from the tax authorities.

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## SECTION 6

### OTHER ASSETS – (Account F)

The breakdown is as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Fixed assets and inventories	13,078	13,788	(710)
Cash and liquid assets	295,699	333,450	(37,751)
Treasury shares	20,245	35,547	(15,302)
Other assets	345,029	232,129	112,900
<b>TOTAL</b>	<b>674,051</b>	<b>614,914</b>	<b>59,137</b>

#### Fixed assets and inventories

(in Euro thousands)	31/12/2010	31/12/2009	Change
Furniture, EDP and internal transport	8,446	9,059	(613)
Tangible assets recorded in public registers	10	22	(12)
Plant and equipment	502	587	(85)
Stocks and other assets	4,120	4,120	-
<b>TOTAL</b>	<b>13,078</b>	<b>13,788</b>	<b>(710)</b>

The balance is depreciated as follows:

(values in %)	2010	2009
Furniture, EDP and internal transport	61.27	54.21
Tangible assets recorded in public registers	82.56	68.47
Plant and equipment	74.91	71.11

These amounts are considered non-current and the movements in the year were as follows:

(in Euro thousands)	2010	2009
Purchases	1,045	1,301
Sales	(27)	(45,340)
Depreciation provision	(1,728)	43,066
	<b>(710)</b>	<b>(973)</b>

## Cash and liquid assets

(in Euro thousands)	31/12/2010	31/12/2009	Change
Bank and postal deposits	295,619	333,294	(37,675)
Cheques and cash on hand	80	156	(76)
<b>TOTAL</b>	<b>295,699</b>	<b>333,450</b>	<b>(37,751)</b>

The bank and postal deposits include the liquidity available not restricted for a period above 15 days.

In the year, the total amount matured was Euro 1,700 thousand.

Bank deposits amount to Euro 166,077 thousand, relating to 25 current accounts opened at the subsidiary BancaSai S.p.A.

## Treasury shares

In 2010, the company did not carry out any share buy-back operations.

The account decreased by Euro 15,302 thousand exclusively due to the adjustment recorded at the end of the year on the shares.

Therefore at 31/12/2010 a total of 3,200,000 Fondiaria-SAI S.p.A. ordinary shares were held for a carrying value of Euro 20,245 thousand.

At 31/12/2010, no savings shares were held in portfolio.

## Other assets

(in Euro thousands)	31/12/2010	31/12/2009	Change
Receivable transitory reinsurance accounts	3,154	1,929	1,225
Other assets	341,875	230,200	111,675
	<b>345,029</b>	<b>232,129</b>	<b>112,900</b>

The transitory asset accounts include the negative income values of a technical nature for the direct business and ceded in reinsurance, as the counter-entry of operations recorded in the accounts with the reinsurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result.

The “Other assets” include the “transit account” between the Life and Non-Life management which has a receivable in the Non-Life management of Euro 29,443 thousand.

The other assets also include assets calculated applying to the nominal values of the temporary deductible differences to the income tax rates which will be in force when these temporary differences “reverse”.

Deferred tax assets recorded at year-end amounted to Euro 256,486 thousand and derives from reversals totalling Euro 39,489 thousand and assets arising in the year of Euro 126,010 thousand.

For further details concerning the movements in the year, reference should be made to the account income taxes.

Among the reversals are Euro 34,750 thousand of higher taxes recorded in the income statement in the year, while Euro 4,739 thousand refers to the prepaid taxes against the estimated tax loss at the end of the previous year. This counter-entry of this latter amount is therefore the current tax provision.

The other assets include the estimated amount of the payment due as taxes on the actuarial reserves of the Life classes as per Legislative Decree 209/2002 equal to Euro 19,135 thousand.

The principal other assets are as follows:

(in Euro thousands)	31/12/2010	31/12/2009
Non-Life/Life transit account	29,443	5,836
Deferred tax assets	256,486	169,965
Indemnities paid not applied	4,331	11,867
Actuarial reserve tax as per Leg. Decree No. 209/02	19,135	18,719
Regional offices transit accounts	14,023	9,563

## SECTION 7

### PREPAYMENTS AND ACCRUED INCOME – (Account G)

(in Euro thousands)	31/12/2010	31/12/2009	Change
Interest	135,068	135,351	(283)
Rental	1	1	-
Other prepaid and accrued income	5,283	2,667	2,616
	<b>140,352</b>	<b>138,019</b>	<b>2,333</b>

The composition of prepaids and accrued income are as follows:

(in Euro thousands)	Accrued income	Prepaids	Total
Interest	133,847	1,221	135,068
Rental	-	1	1
Other prepaid and accrued income	2,514	2,769	5,283
	<b>136,361</b>	<b>3,991</b>	<b>140,352</b>

There are no long term prepayments or accrued income.

The accruals for interest relate entirely to debt securities in portfolio.

## BALANCE SHEET – LIABILITIES & EQUITY

### SECTION 8

#### SHAREHOLDERS' EQUITY - (Account A )

(in Euro thousands)	31/12/2010	31/12/2009	Change
Share capital	167,044	167,044	-
Share premium reserve	209,947	209,947	-
Revaluation reserve	200,025	200,025	-
Legal reserve	35,536	35,536	-
Reserves for treasury shares and shares of holding companies	34,352	54,736	(20,384)
other reserves	1,811,985	1,818,777	(6,792)
	<b>2,458,889</b>	<b>2,486,065</b>	<b>(27,176)</b>

The share capital, subscribed and fully paid-in, comprises 124,482,490 ordinary shares and 42,561,222 saving shares, of a nominal value of Euro 1 each. The share capital was unchanged from 31/12/2009.

The share capital and the capital reserves are attributed to the two insurance managements in the following manner (in units of Euro):

	Life Division	Non-Life Division	Total
Share Capital comprising ordinary shares	41,711,687	82,770,803	124,482,490
Share capital comprising saving shares	16,537,230	26,023,992	42,561,222
<i>Share capital</i>	58,248,917	108,794,795	167,043,712
<i>Capital reserves</i>	678,370,300	1,613,475,077	2,291,845,377
<b>TOTAL</b>	<b>736,619,217</b>	<b>1,722,269,872</b>	<b>2,458,889,089</b>

The detail of the revaluation reserve are as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Speical reserve as per article 26 Law No. 413 of 30/12/91	96,837	96,837	-
Revaluation reserve of securities	58,029	58,029	-
Revaluation reserve Law No. 72 of 19/03/83	38,215	38,215	-
Reserve as per article 10 Law No. 904 of 16/12/77	6,944	6,944	-
	<b>200,025</b>	<b>200,025</b>	<b>-</b>

The revaluation reserves have not changed in the year.



The revaluation reserve on securities was created on a voluntary basis.

The reserve for treasury shares and shares of the parent company, amounting to Euro 34,352 thousand, is composed of Euro 20,245 thousand reserve not available for treasury shares pursuant to article 2357 of the Civil Code, a value representative of the cost of the treasury shares held in portfolio of the Company at 31/12/2010 (Euro 35,547 thousand in 2009), while the residual amount of Euro 14,107 thousand is equal to the cost of the shares of the parent company held in portfolio by the Company at the same date (Euro 19,189 thousand in 2009) and in compliance with article 2359 of the Civil Code.

The non distributable reserve for treasury shares decreased by Euro 15,302 thousand exclusively due to the adjustment recorded at the end of the year on the shares.

Similarly, the decrease of Euro 5,082 thousand of the reserve of shares of the parent company is due to the adjustment recorded at the end of the year on the shares.

The other reserves are broken down as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Extraordinary reserve	805,410	808,810	(3,400)
Reserve for purchase of treasury shares	3,750	7,500	(3,750)
Reserve for purchase of holding company's shares	750	750	-
Share premium reserve for sale of non exercised option rights	4,294	4,294	-
Dividend adjustment reserve	2,852	2,852	-
Merger surplus reserve	422	422	-
Reserve as per Law 742/1986	113,214	113,214	-
Share swap merger surplus/cancellation of shares	881,293	880,935	358
	<b>1,811,985</b>	<b>1,818,777</b>	<b>(6,792)</b>

The extraordinary reserve decreased by Euro 3,400 thousand following the operations described below:

- increase of Euro 5,234 thousand due to the assignment deliberated by the Shareholders' Meeting of April 23, 2010;
- decrease of Euro 32,769 thousand due to the utilisation resolved by the Shareholders' Meeting of April 23, 2010 for the distribution of dividends;
- increase of Euro 15,302 thousand, with transfer from the non distributable treasury share reserve, due to the adjustment recorded on treasury shares at the year-end;
- increase of Euro 5,082 thousand, with transfer from the non distributable reserve with shares of the parent company, due to the adjustment recorded on the shares of the parent company at the year-end;
- decrease of Euro 3,750 thousand with transfer to the reserve to purchase treasury shares in accordance with the Shareholders' Meeting resolution of April 23, 2010;
- decrease of Euro 750 thousand with transfer to the reserve to purchase holding company shares in accordance with the Shareholders' Meeting resolution of April 23, 2010;
- the reserve was simultaneously accredited for the total amount of Euro 8,250 thousand as the above-mentioned shareholders' meeting revoked the previous resolutions relating to the purchase of treasury shares (Euro 7,500 thousand) and of the parent company (Euro 750 thousand).

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The reserve for treasury shares to be purchased decreased by Euro 3,750 thousand following the above-mentioned provision of Euro 3,750 thousand approved on April 23, 2010 and the simultaneous write-down of the balance of Euro 7,500 thousand.

The reserve to purchase shares of the parent company did not change following the above-mentioned provision of Euro 750 thousand approved on April 23, 2010 and the simultaneous write-down of the previous balance also for Euro 750 thousand.

The merger surplus reserve increased by Euro 358 thousand following the merger by incorporation of Italiberia Inversiones Financieras S.L.U. in 2010.

In accordance with article 109, Letter 4 b of the pre-existing Pres. Decree No. 917/1986, currently repealed, it is declared that the available reserves recorded in the accounts are well above the total of the negative income components and that, net of the correlated deferred tax liability provision accrued in previous years, amount to Euro 62,050 thousand.

Finally it is reported, also in accordance with the provisions of article 2427 of the Civil Code, that the share capital is composed as follows:

<b>Share capital subscribed, paid-in and filed at 31/12/2010</b>	<b>Ordinary shares 124.482.490</b>	<b>Savings shares 42.561.222</b>	<b>Total 167.043.712</b>
Capital deliberated for stock options plans		14,949,400	14,949,400

In relation to the stock option plans, reference should be made to the paragraph in the Directors' Report.

## Analysis of net equity in accordance with Article 2427, number 7 bis of the Civil Code

(in Euro thousands)

Nature/description	Amount	Possibility of of utilisation	Quota available	Quota Available 2009	Utilisation previous three years
<b>Share Capital</b>	167,044	-	-	-	-
<b>Capital reserves:</b>	<b>1,157,761</b>	-	<b>1,157,761</b>	<b>1,157,403</b>	-
Share premium reserve	209,947	A, B, C	209,947	209,947	-
Revaluation reserve	200,025	A, B, C	200,025	200,025	-
Share swap merger surplus/cancellation of shares reserve	627,007	A, B, C	627,007	626,649	-
Reserve as per Law 742/1986	113,214	A, B, C	113,214	113,214	-
Merger surplus reserve	422	A, B, C	422	422	-
Share premium reserve for sale of option rights not exercised	4,294	A, B, C	4,294	4,294	-
Dividend adjustment reserve	2,852	A, B, C	2,852	2,852	-
<b>Profit reserves:</b>	<b>1,134,083</b>	-	<b>1,066,323</b>	<b>1,073,474</b>	<b>130,543</b>
Legal reserve	35,536	A, B, C	2,127	2,127	-
Extraordinary reserve	805,409	A, B, C	805,409	808,810	75,368
Share swap merger surplus/cancellation of shares reserve	254,286	A, B, C	254,287	254,287	55,175
Treasury share repurchase reserve	20,245	-	-	-	-
Reserve for holding company's shares	14,107	-	-	-	-
Reserve for purchase of treasury shares	3,750	A, B, C	3,750	7,500	-
Reserve for purchase of holding company's shares	750	A, B, C	750	750	-
<b>Total</b>	<b>2,458,888</b>		<b>2,224,084</b>	<b>2,230,877</b>	<b>130,543</b>
Quota not distributable (1)			2,911	4,183	-
Quota distributable			2,221,174	2,243,577	-

### Key:

A: for share capital increase

B: to cover losses

C: for distribution to shareholders

(1): represents the non distributable quota to cover the non amortised charges in accordance with article 16, paragraph 11 of the Legislative Decree 173/1997.

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## SUBORDINATED LIABILITIES - (Account B)

This account amounts to Euro 900,000 thousand and remains unchanged compared to the previous year.

This account includes the value of the four subordinated loans agreed with Mediobanca, issued respectively in 2002, 2005, 2006 and 2008: the first three with twenty year expiry while the final is in perpetuity. The table below shows the details of the subordinated liabilities recorded, in accordance with ISVAP Regulation No. 22.

(in Euro thousands)

31/12/2010	31/12/2009	Change	Expiry	Variable rate	Spread
400,000	400,000	-	23-07-23	Euribor 6 m Act/360	180 bps
100,000	100,000	-	30-12-25	Euribor 6 m Act/360	180 bps
150,000	150,000	-	14-07-26	Euribor 6 m Act/360	180 bps
250,000	250,000	-	perpetual	Euribor 6 m Act/360	350 bps
<b>900,000</b>	<b>900,000</b>	-			

The solvency margin as per articles 44 and 45 of Legislative Decree No. 209 of September 7, 2005 is covered as follows:

- the subordinated loan of a notional value of Euro 400 million and Euro 250 million respectively, are included in the available margin of the Company for 50% of the lower value between the available margin and the requested margin;
- the subordinated loan of a notional value of Euro 100,000 thousand and Euro 150,000 respectively, are included in the available margin of the Company for 25% of the lower value between the available margin and the requested margin.

## SECTION 10

### TECHNICAL RESERVES – (Account C)

The account increased, before the quota of the reinsurers, by Euro 582,493 thousand, of which Euro 484,693 thousand for the Life classes and an increase of Euro 97,800 thousand for the Non-Life classes, as shown in the table below:

(in Euro thousands)	31/12/2010	31/12/2009	Change
<b>NON-LIFE DIVISION</b>			
- Unearned premium reserve	1,515,070	1,449,319	65,751
- Reserve for profit sharing and reversals	-	-	-
- Claims reserve	4,729,816	4,699,691	30,125
- Other technical reserves	7,620	8,407	(787)
- Equalisation reserves	22,204	19,493	2,711
<b>TOTAL</b>	<b>6,274,710</b>	<b>6,176,910</b>	<b>97,800</b>
<b>LIFE DIVISION</b>			
- Actuarial reserves	7,883,873	7,414,699	469,174
- Unearned premium reserves for additional insurance	712	731	(19)
- Reserves for sums to be paid	93,733	75,046	18,687
- Reserve for profit sharing and reversals	1,633	2,339	(706)
- Other technical reserves	51,461	53,904	(2,443)
<b>TOTAL</b>	<b>8,031,412</b>	<b>7,546,719</b>	<b>484,693</b>
<b>TOTAL</b>	<b>14,306,122</b>	<b>13,723,629</b>	<b>582,493</b>

### Non-Life Division

The premium reserve of the direct Italian business is represented by the reserve for premium fractions of the reserve for risks in course for Euro 21,617 thousand.

These additions principally refer to the General TPL Class (for 86%) for which we report that the premium/claim ratio in the current year is not in line with previous years. As with last year, it was therefore considered correct for the class in question to determine the charge for expected claims considering a sufficient retrospective time period in accordance with article 11, paragraph 2, of ISVAP Regulation No.16.

The following table shows the breakdown by class of the two components of the premium reserve:

Class (in Euro thousands)	Direct business		Total	Indirect business	
	Premium fraction	Current risks		Premium fraction	Total
Accident	90,471	-	90,471	-	-
Health	64,003	-	64,003	-	-
Land vehicles	163,100	-	163,100	-	-
Railway	2	-	2	-	-
Aviation	47	-	47	-	-
Maritime	1,655	2,841	4,496	-	-
Goods in transit	2,668	-	2,668	-	-
Fire and natural elements	192,057	-	192,057	557	557
Other property damage	108,610	-	108,610	25	25
Motor TPL	666,049	-	666,049	-	-
Aviation TPL	478	-	478	-	-
Maritime TPL	1,422	241	1,663	-	-
General TPL	129,896	18,513	148,409	404	404
Credit	157	22	179	12	12
Bonds	57,472	-	57,472	314	314
Pecuniary losses	4,492	-	4,492	-	-
Legal expenses	2,750	-	2,750	-	-
Assistance	6,812	-	6,812	-	-
<b>Total</b>	<b>1,492,141</b>	<b>21,617</b>	<b>1,513,758</b>	<b>1,312</b>	<b>1,312</b>

In relation to the bond class, the reserve for premium fraction was supplemented in accordance with Article 12 of ISVAP Regulation No. 16/2008, for a total amount of Euro 27,596 thousand (Euro 25,038 thousand in 2009).

The other technical reserves of the Non-Life classes only include the ageing reserve as per Section IV of ISVAP Regulation No. 16/2008, equal to Euro 7,620 thousand (Euro 8,407 thousand at 31/12/2009) and calculated using analytical method on the insurance contracts against health, whose contractual structure provides for an additional risk insured based on the age of the policyholder.

The equalisation reserves are entirely comprised of the reserve for natural calamity as per Ministerial Decree No. 705 of November 19, 1996.

The provision amounts to Euro 22,204 thousand and is divided as follows among the classes in the accounts:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Accident	259	256	3
Land vehicles	6,934	5,924	1,010
Aviation	101	97	4
Maritime	322	308	14
Goods in transit	839	817	22
Fire and natural elements	12,935	11,311	1,624
Other property damage	656	632	24
Motor TPL	20	20	-
Aviation TPL	4	4	-
General TPL	13	13	-
Pecuniary losses	121	111	10
<b>Total</b>	<b>22,204</b>	<b>19,493</b>	<b>2,711</b>

The claims reserves of the Non-Life classes include, in addition to the indemnity reserve, also the settlement reserve and the late claim reserves.

The components of the premiums reserve and the claims reserve are illustrated in Attachment 13.

## Life Division

The actuarial reserve was determined at December 31, 2010 in accordance with the following most significant base techniques:

- composed annual interest rate determined based on the different contractual clauses taking into account minimum guaranteed of 4%, 3%, 2.5%, 2% and 1.5% in accordance with the issue period of the cover;
- demographic assumptions principally based on the Italian mortality statistic tables 1951, 1961, 1971 and 1981, 1992 and 2002 as well as 1971 projected and selected, RG48 and RG48 selected, IPS55 for deferred commitments and IPS55 for immediate commitments.

They include also the additional reserve on the financial risk equal to Euro 47,718 thousand, as indicated in Isvap Regulation No. 21 of 28/03/2008.

The various components of the technical reserve are shown in Attachment 14.

The details by class of the “Other technical reserves” are shown below of the Life Division, which principally comprises the provision for future expenses.

(in Euro thousands)	31/12/2010	31/12/2009	Change
Class I	38,258	39,389	(1,131)
Class III	2,056	3,212	(1,156)
Class IV	60	56	4
Class V	11,087	11,247	(160)
Class VI	-	-	-
<b>Total</b>	<b>51,461</b>	<b>53,904</b>	<b>(2,443)</b>

## SECTION 11

### CHANGE IN TECHNICAL RESERVES WHERE INVESTMENT RISK BORNE BY POLICYHOLDERS AND FROM PENSION FUND MANAGEMENT - (Account D)

These amount to Euro 434,669 thousand and decreased by Euro 82,365 thousand. They are representative of the commitments deriving from the insurance of the Life Division whose returns are determined based on the investments on which the policyholder bears the risk or based on an index, as well as the commitments deriving from the management of the pension funds.

The breakdown of the reserve by type of product in portfolio:

(in Euro thousands)	31/12/2010	31/12/2009	Change
- related to the value of an investment fund	83,774	126,850	(43,076)
- related to the value of an equity index or other benchmark.	145,274	211,696	(66,422)
- open pension funds	205,621	178,488	27,133
<b>TOTAL</b>	<b>434,669</b>	<b>517,034</b>	<b>(82,365)</b>

With regard to the open Pension Funds, the figure above is broken down as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
<b>SAP Open Pension Fund:</b>			
- Previ-bond	7,988	6,231	1,757
- Previ-gest	9,456	8,379	1,077
- Previ-mix	22,738	22,001	737
- Previ-europe	5,045	4,074	971
- Previ-global	1,970	1,235	735
- Previ-capital	2,085	1,688	397
<b>Previdente Open Pension Fund:</b>			
- equity line	47,174	41,034	6,140
- balanced line	31,127	28,055	3,072
- bond line	17,166	15,179	1,987
- cash line	4,300	3,977	323
- guaranteed cash line	6,511	5,196	1,315
<b>Previdenza Open Pension Fund:</b>			
- equity line	12,050	8,937	3,113
- balanced line	16,065	13,790	2,275
- bond line	5,850	6,415	(565)
- guaranteed cash line	14,651	11,846	2,805
- premium TFR line	1,445	451	994
<b>TOTAL</b>	<b>205,621</b>	<b>178,488</b>	<b>27,133</b>



## SECTION 12

### PROVISIONS FOR RISKS AND CHARGES – (Account E)

(in Euro thousands)	31/12/2010	31/12/2009	Change
Pensions and similar obligations	3,386	3,615	(229)
Tax provisions	91,000	115,219	(24,219)
Other provisions	230,156	208,972	21,184
<b>TOTAL</b>	<b>324,542</b>	<b>327,806</b>	<b>(3,264)</b>

Attachment 15 shows the changes in the year.

The provisions for pensions and similar obligations includes the pensions by the company in previous years as a supplement to the employee leaving indemnity.

The other provisions are broken down as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Provision for risks and charges	215,386	195,302	20,084
Provision as per art. 7 Law 738/78	5,154	5,154	-
Service bonus as art. 30 CCNL	5,131	4,031	1,100
Building maintenance provision	4,485	4,485	-
<b>TOTAL</b>	<b>230,156</b>	<b>208,972</b>	<b>21,184</b>

#### a) Provision for risks and charges

The provision increased compared to the previous year by Euro 20,084 thousand following the provisions of Euro 48,134 thousand and utilisation of Euro 28,172 thousand, in addition to the contribution to the provision relating to the incorporated Systema Vita for Euro 122 thousand.

The total provision is adequate with respect to the estimated charges consequent of the total legal and/or tax disputes to which the Parent Company is party. The provision also includes future employee expenses, such as those related to vacation days matured but not taken.

The Provision includes the tax saving which originated in the Company following the contribution of the tax losses of some subsidiaries within the national tax consolidation which, prudently were not recorded in their accounts related to the tax advantage due to the limited time period of the recovery of these losses.

The provision includes expected charges related to the recapitalisation of Group companies against restructuring charges which will be incurred in the coming years.

The provision includes, prudently, the estimated charges, where incurred, against the disputes for the so called “Opa” offer which the Company, together with other parties, is defending due to the actions taken by some shareholders of the incorporated company Fondiaria Assicurazioni. It is reported that some sentences of the Milan Appeals Court and the Florence Court have rejected the claims for damages.

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The provision also includes that reasonably estimated by the Company as future charges against the tax audit concerning the 2005 tax period and in relation to which a process is in course initiated by the relative authority.

For further information, reference should be made to the section on Litigation in the Directors' Report.

The movement in the provision during the year is reported in the appropriate section in the income statement on other income and charges.

**b) Service bonus provision pursuant to art. 32 of CCNL**

The provision increased by Euro 1,100 thousand due to the provision in the year of Euro 1,706 thousand and utilisations of Euro 606 thousand for premiums matured in favour of employees.

**c) Building maintenance fund**

The building maintenance fund did not undergo any movements in the year.

## COMPOSITION OF THE SUB-ACCOUNT – E 2) – “PROVISIONS FOR TAXES”

The provision for taxes includes the provision for corporation income taxes (IRES income taxes and IRAP regional taxes) for the year.

The account also includes the substitute taxes of the IRES income taxes and the IRAP regional tax estimated at the end of the year.

The current income taxes are recorded as a provision as the amounts are still not certain and which will be payable to the tax authorities following the individual and consolidated tax declarations to be made.

The provisions for taxes also includes the liability for deferred taxes deriving from the temporary differences arising in the year and previous years, net of those reversed in the year, the income taxes accrued on the allocation of the merger surplus against the gains, not recognised fiscally, allocated to the buildings and investments and the income taxes accrued in previous years against amortisation and adjustments to values only for fiscal purposes.

The composition of the balance is as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Provision for current taxation	45,025	66,657	(21,632)
Provision for deferred tax liabilities	45,975	48,563	(2,588)
<b>TOTAL</b>	<b>91,000</b>	<b>115,220</b>	<b>(24,220)</b>

The changes in the year were as follows:

(in Euro thousands)	2010	2009	Change
<u>Provision for current taxation:</u>			
Utilisation and other decreases	(31,751)	(54,640)	22,889
Provisions	10,119	28,864	(18,745)
<u>Provision for deferred tax liabilities:</u>			
Utilisation and other decreases	(2,605)	(37,333)	34,728
Provisions	17	968	(951)
<b>TOTAL</b>	<b>(24,220)</b>	<b>(62,141)</b>	<b>37,921</b>

In relation to the current income tax provision, decreases refer for Euro 27,012 thousand to the utilisation of the substitute tax provision following the exercise of the option for separate taxation of the gain concerning the buildings conferred to the Rho Fund in 2009.

The residual decrease of Euro 4,739 thousand refers to the utilisation of the fund against the lowering of deferred tax assets based on the estimate tax loss at the end of the previous year being greater than the declared Group loss.

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Similarly, the provision increased by Euro 10,119 thousand following the adjustment of the tax of the subsidiary companies taking part in the national tax consolidation compared to that estimated at the end of the previous year. This amount is recorded as an increase of receivables from consolidated companies against the transfer of positive assessable income, net of payables to the same consolidated companies concerning the transfer of tax losses.

No Group IRES income tax provision was recorded as the sum of the results - profits and losses - of the companies belonging to the national tax consolidation net of the consolidation adjustments was a net loss (tax loss).

In relation to deferred taxes, the changes on the initial balance are principally due to the decrease from reversed taxes of Euro 2,087 thousand, in addition to adjustments to taxes provisioned in previous years for Euro 518 thousand as commented upon in detail in the account income taxes.

### **DEPOSITS RECEIVED FROM REINSURERS – (Account F)**

The account amounted to Euro 151,125 thousand and increased by Euro 1,478 thousand (Euro 149,647 thousand in 2009).

## SECTION 13

### PAYABLES AND OTHER LIABILITIES – (Account G)

The breakdown is as follows:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Payables from direct insurance operations	36,991	55,301	(18,310)
Payables from reinsurance operations	34,457	44,136	(9,679)
Payables to banks and financial institutions	75,000	75,000	-
Various loans and other financial payables	248,300	434,800	(186,500)
Employee leaving indemnities provision	39,371	43,582	(4,211)
Other payables	498,585	521,319	(22,734)
Other liabilities	214,208	167,889	46,319
<b>TOTAL</b>	<b>1,149,912</b>	<b>1,342,027</b>	<b>(195,115)</b>

#### Payables from direct insurance operations

(in Euro thousands)	31/12/2010	31/12/2009	Change
Insurance brokers	24,616	35,350	(10,734)
Insurance company current accounts	12,045	19,687	(7,642)
Policyholders for deposits and premiums	74	74	-
Policyholder guarantee provisions	256	190	66
<b>TOTAL</b>	<b>36,991</b>	<b>55,301</b>	<b>(18,310)</b>

The guarantee provisions include Euro 58 thousand of payables to the Homes Solidarity Provision, Euro 150 thousand of payables to the Shooting Victims Provision and Euro 48 thousand of payables to the Road Accident Victims Provision.

#### Payables from reinsurance operations

(in Euro thousands)	31/12/2010	31/12/2009	Change
Insurance and reinsurance companies	33,638	43,317	(9,679)
Reinsurance brokers	819	819	-
<b>TOTAL</b>	<b>34,457</b>	<b>44,136</b>	<b>(9,679)</b>

#### Payables to banks and other lenders

(in Euro thousands)	31/12/2010	31/12/2009	Change
Payables to banks and financial institutions	75,000	75,000	-
<b>TOTAL</b>	<b>75,000</b>	<b>75,000</b>	<b>-</b>

The balance, unchanged on the previous year, relates to the senior loan contract concluded with Mediobanca in June 2009 and disbursed on January 25, 2010 for a similar amount of the residual remaining from the original loan of Euro 250 million disbursed in January 2008.

The loan of Euro 75 million was fully repaid on January 31, 2011, utilising ordinary liquidity available.

## Various loans and other financial payables

The other loans amounted to Euro 248.3 million (Euro 434.8 million at 31/12/2009) and related to:

(Amounts in Euro millions)	Amount	Expiry	Payment method	Interest rate
SAIFIN SAIFINANZIARIA S.p.A.	157.0	Without maturity	One payment or single tranches with notice of at least 7 days compared to the value date.	EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%.
SAINTERNATIONAL S.A.	5.0	Without maturity	One payment or single tranches with notice of at least 7 days compared to the value date.	EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%.
SIM ETOILE S.A.	15.0	Without maturity	Una soluzione o singole tranches con preavviso di almeno 3 giorni lavorativi rispetto alla data di valuta.	Media EURIBOR medio mensile – tipo di deposito 3 mesi (tasso 360) - nel periodo compreso tra il mese di erogazione e il mese precedente il rimborso anticipato o la scadenza, e maggiorato di uno spread dell'1.20%.
SAI HOLDING ITALIA S.p.A.	1.2	Without maturity	One payment or single tranches with notice of at least 7 days compared to the value date.	EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%.
FONDIARIA NEDERLAND B.V.	70.1	Without maturity	One payment or single tranches.	EURIBOR average monthly - type of deposit 3 months (360 rate) – in the period between the month of the provision of the loan and the month preceding the advanced repayment or the maturity, and increased by a spread of 1.20%.

The principal change compared to 2009 is due to the repayment of the loan granted to the subsidiary Sainternational S.A., related to liquidity from a Convertible and Repayable Bond (Mandatory Exchangeable Guaranteed Notes) exclusively with Intesa Sanpaolo ordinary shares owned by Fondiaria-SAI. The repayment of Euro 180.4 million took place on maturity on September 29, 2010, through conferment of 44 million Intesa Sanpaolo shares owned by Fondiaria-SAI.

## Employee leaving indemnities provision

The account amounted to Euro 39,371 thousand (Euro 43,582 thousand in 2009).

The change is due to provisions and other increases for Euro 10,941 thousand (Euro 9,155 thousand in 2009) and the relative utilisation of the provision for Euro 15,152 thousand (Euro 12,199 thousand in 2009), which includes the quota matured in 2010 allocated to the special INPS fund or to the Complementary Pension.

## Other payables

(in Euro thousands)	31/12/2010	31/12/2009	Change
Policyholders' tax due	71,044	70,926	118
Other taxes due	50,748	32,463	18,285
Social security and welfare institutions	8,801	8,929	(128)
Other payables	367,992	409,001	(41,009)
<b>TOTAL</b>	<b>498,585</b>	<b>521,319</b>	<b>(22,734)</b>

The Policyholders' tax due includes tax payables on insurance policies for Euro 51,381 thousand and Euro 19,634 thousand for Social Security Contributions.

The other taxes due concern, among others, Euro 19,135 thousand relating to the payment on account of the life actuarial reserve pursuant to article 1, paragraph 2 and 2 bis of Legislative Decree 209/2002 (converted by Law 262/2002) and Euro 21,610 thousand concerning the outstanding instalments on substitute taxes on gains following the conferment of properties to the Rho Fund in 2009.

Various payables include, among others, the following accounts:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Payables for tax credits transferred to the Group	120,896	154,085	(33,189)
Other payables to subsidiaries	53,000	73,015	(20,015)
Settlements not collected by policyholders	2,310	12,453	(10,143)
Suppliers	159,463	148,298	11,165
Employees	699	1,078	(379)
Guarantee deposits	2,783	2,736	47

The payables for tax credits transferred to the Group includes the amount of the receivables from the tax authorities for withholdings, payments on account, excess and other receivables transferred by the consolidated companies to the consolidating due to the Group tax regime as per article 117 and subsequent of Pres. Decree No. 917/1986.

Trade payables, including rent and other expenses totalling Euro 159,463 thousand, principally include payables to the subsidiary Fondiaria-SAI Servizi Group for the settlement of the consortium contribution due, following the centralisation of all the Group services within the consortium.

## The details of the payables by maturity and nature are as follows

The table below was prepared in relation to the previous accounts illustrated under liabilities and in accordance with section 16 of Legislative Decree No. 173 of May 26, 1997.

(in Euro thousands)	Payables from direct insurance operations and reinsurance	Deposits received from reinsurers	Bank payables	Various loans and other financial payables	Employee Leaving Indemnity and other payables	Total
Within 1 year	71,447	151,125	75,000	248,300	521,749	1,067,621
Between 1 and 5 years	-	-	-	-	16,208	16,208
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>71,447</b>	<b>151,125</b>	<b>75,000</b>	<b>248,300</b>	<b>537,957</b>	<b>1,083,829</b>

## Other liabilities

(in Euro thousands)	31/12/2010	31/12/2009	Change
Payable transitory reinsurance accounts	2,705	1,110	1,595
Commissions on premium collection	58,400	59,497	(1,097)
Other liabilities	153,103	107,282	45,821
<b>Total</b>	<b>214,208</b>	<b>167,889</b>	<b>46,319</b>

The transitory liability accounts from reinsurance include the positive income values of a technical nature for the indirect business, as the counter-entry of operations recorded in the accounts with the reinsurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result.

The breakdown of the principal “Other liabilities” is shown below:

(in Euro thousands)	31/12/2010	31/12/2009
Non-Life/Life transit account	29,443	5,836
Other accruals	48,669	47,380
Claim payments due	14,810	9,326
Payables to agencies	12,076	8,137
Payables to reinsurers	6,934	9,988



## SECTION 14

### ACCRUALS AND DEFERRED INCOME – (Account H)

(in Euro thousands)	31/12/2010	31/12/2009	Change
Interest	12,651	23,362	(10,711)
Rental	48	58	(10)
Other accruals and deferred income	42	42	-
<b>Total</b>	<b>12,741</b>	<b>23,462</b>	<b>(10,721)</b>

Relating to the year 2010, the breakdown of the accruals and deferred income is as follows:

(in Euro thousands)	Deferred income	Accruals	Total
Interest	12,651	-	12,651
Rental	-	48	48
Other accruals and deferred income	13	29	42
	<b>12,664</b>	<b>77</b>	<b>12,741</b>

The deferred income for interest refers principally to the quota allocated for the year of the explicit financial charge on the senior Mediobanca loan for Euro 2,294 thousand and charges on hedging derivatives for Euro 7,616 thousand.

## SECTION 17

### Guarantees, Commitments and other Memorandum Accounts

The account amounts to Euro 14,486,797 thousand (Euro 14,923,836 thousand in 2009).

(in Euro thousands)	31/12/2010	31/12/2009	Change
Guarantees given	4,160	4,681	(521)
Guarantees received	184,750	237,061	(52,311)
Guarantees provided by third parties on behalf of the company	53,462	54,374	(912)
Commitments	840	281,092	(280,252)
Third party assets	7,304	10,079	(2,775)
Securities deposited with third parties	13,433,970	13,534,268	(100,298)
Other memorandum accounts	802,311	802,281	30
<b>Total</b>	<b>14,486,797</b>	<b>14,923,836</b>	<b>(437,039)</b>

The guarantees given include:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Other non-secured guarantees	-	-	-
Secured guarantees	4,160	4,681	(521)
	<b>4,160</b>	<b>4,681</b>	<b>(521)</b>

The secured guarantees refer to assets constituted as guarantees in deposit of inward reinsurance operations prevalently in foreign currencies.

The guarantees received include:

(in Euro thousands)	31/12/2010	31/12/2009	Change
Sureties	179,496	182,194	(2,698)
Other non-secured guarantees	2,354	1,967	387
Secured guarantees	2,900	52,900	(50,000)
	<b>184,750</b>	<b>237,061</b>	<b>(52,311)</b>

Among the guarantees received are sureties of Euro 72,213 thousand (Euro 77,080 thousand in 2009) from policies guaranteeing commitments undertaken with agents.

The sureties given amount to Euro 3,650 thousand, while those received from third parties amounted to Euro 1,136 thousand.

Among the secured guarantees Euro 50 million was eliminated relating to the lien on the securitisation policy created to cover any damage which Fondiaria-SAI would have incurred following the acquisition in 2006 of Liguria Assicurazioni from De Longhi Holding SA (formerly Guala Consultadoria e Investimentos LDA). The parties considered it appropriate to sign a settlement for Euro 10 million covering all outstanding issues relating to the sale/purchase contract. This amount was received by Fondiaria-SAI and recognised to Milano Assicurazioni, which in 2008 was conferred the investment in Liguria Assicurazioni.

The residual Euro 2,900 thousand relates to a voluntary mortgage of Euro 2,900 thousand on some buildings to guarantee operations related to the construction sector.

The guarantees given by third parties amounted to Euro 53,462 thousand, principally comprising those created by the surety based on the Convention between Insurers for the Direct Compensation (CARD) amounting to Euro 43,550 thousand, to which Fondiaria-SAI subscribed on 27/11/2006.

Commitments include Euro 789 thousand against a cash settlement to be paid relating to hedge operations on equity securities, made through combined options (put purchase – call sale).

The decrease in commitments of Euro 280,252 thousand is principally due to the maturity of the convertible bond loan (Mandatory) on Intesa SanPaolo shares for Euro 180,400 thousand and the inexistence of time deposit operations compared to the previous year (Euro 89,471 thousand in 2009).

Third party assets include deposits for maximum coverage, on claims, as well as the Fondiaria-SAI ordinary and saving shares owned by employees (these latter held by the Company).

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The securities deposited at third parties include the carrying value of the securities owned by the company. The principal depositaries are credit institutions for Euro 11,759,677 thousand, subsidiary companies for Euro 1,449,784 thousand, associated companies for Euro 37,528 thousand, other investments for Euro 105,441 thousand and other depositary entities for Euro 81,539 thousand.

The Other Memorandum Accounts which amount to Euro 802,311 thousand principally relates to the underlying notional derivative financial operations and specifically: Euro 25,000 thousand refers to the Credit Default Swap contracts on the Serbian country risk, Euro 15,000 thousand referring to Credit Default Swap contracts on subordinated Banco Popolare debt, Euro 5,000 thousand refers to Range Accrual Swap contracts with BNP Paribas, Euro 6,250 thousand refers to Range Accrual Swap contracts with Banca IMI, Euro 400,000 thousand refers to Interest Rate Swap contracts with Mediobanca, Euro 150,000 thousand refers to Interest Rate Swap contracts with Unicredit Bank and Euro 200,000 thousand refers to Interest Rate Swap contracts with R.B.S..

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## INCOME STATEMENT

The income statement for the year compared to the previous years accounts are commented upon below.

Where the accounts for the previous year are not compatible with those of the current year the necessary adjustments were made. Where not comparable, any adjustments or the impossibility to make adjustments are in any case included in the comments to the individual accounts.

### SECTION 18

#### INFORMATION CONCERNING THE NON-LIFE TECHNICAL ACCOUNT

##### EARNED PREMIUMS NET OF REINSURANCE – (ACCOUNT I.1)

(in Euro thousands)	2010	2009	Change
Direct premiums	3,818,083	3,735,997	82,086
Indirect premiums	9,148	10,520	(1,372)
<b>Gross premiums written</b>	<b>3,827,231</b>	<b>3,746,517</b>	<b>80,714</b>
Premiums ceded to reinsurers	(134,094)	(157,545)	23,451
Change in gross amount of premium reserve	(65,979)	(35,905)	(30,074)
Change in reinsurers reserve	3,872	5,567	(1,695)
<b>Total Non-Life premiums written</b>	<b>3,631,030</b>	<b>3,558,634</b>	<b>72,396</b>

The account “gross premiums written”, in accordance with ISVAP regulation No. 735 of 01/12/1998 does not include the cancellation of securities issued in previous years, which were recorded in the account “Other technical charges”.

The account “changes in the gross amount of premium reserve” includes Euro 48,669 thousand relating to the negative change in the reserve for premium fractions which were commented upon under Liabilities of the Balance Sheet. The change of the reserve for risks in course amounts to Euro 17,310 thousand.

##### QUOTA OF THE INVESTMENT INCOME TRANSFERRED FROM THE NON TECHNICAL ACCOUNT – (ACCOUNT I.2)

No transfers were made from the non-technical account in that, as established by ISVAP Provision No. 22, Article 22, net of financial charges recorded in the non-technical account an overall investment charge was recorded.

## OTHER TECHNICAL INCOME, NET OF REINSURANCE – (ACCOUNT I.3)

(in Euro thousands)	2010	2009	Change
Other technical income before reinsurance	17,961	18,246	(285)
Other technical income ceded	7,993	9,275	(1,282)
	<b>25,954</b>	<b>27,521</b>	<b>(1,567)</b>

The other technical income amounts to Euro 25,954 thousand and includes Euro 6,555 thousand of commission recoveries on the cancellation of premiums issued in previous years and Euro 10,529 thousand relating to the utilisation of the doubtful debt provision for premiums.

## CLAIMS INCURRED NET OF RECOVERIES AND REINSURANCE – (ACCOUNT I.4)

(in Euro thousands)	2010	2009	Change
Gross amounts paid	(3,085,698)	(3,001,557)	(84,141)
Reinsurers' share	77,368	87,728	(10,360)
Change in gross recoveries	83,809	61,990	21,819
Reinsurers' share	-	1,880	(1,880)
Change in outstanding claims reserve	(30,749)	(155,951)	125,202
Reinsurers' share	(26,470)	21,084	(47,554)
	<b>(2,981,740)</b>	<b>(2,984,826)</b>	<b>3,086</b>

The gross amounts paid include:

(in Euro thousands)	2010	2009	Change
Claims paid on current year policies	(1,114,690)	(1,147,564)	32,874
Claims paid on previous year policies	(1,660,103)	(1,552,000)	(108,103)
Contribution to the Road Victims' Fund	(48,540)	(46,458)	(2,082)
Direct and settlement expenses	(262,365)	(255,535)	(6,830)
	<b>(3,085,698)</b>	<b>(3,001,557)</b>	<b>(84,141)</b>

The change of the gross recoveries includes Euro 32,652 thousand of recoveries in the year and Euro 51,157 thousand for reconciliation on previous years. The increase on the previous year follows the increased effective recoveries recorded in the Motor TPL Class.

The changes in the gross amount of the claims reserve are as follows:

(in Euro thousands)	2010	2009	Change
Reserve at beginning of the year	4,699,692	4,546,009	153,682
Exchange rate effect	1,782	(527)	2,309
Reserve for the year	(1,645,325)	(1,755,348)	110,023
Reserve for previous years	(3,084,491)	(2,944,344)	(140,147)
Movements in portfolio	(2,406)	(1,742)	(664)
	<b>(30,749)</b>	<b>(155,951)</b>	<b>125,203</b>

In relation to the direct business, the reserve at the beginning of the year, recorded a negative adjustment of approx. Euro 158 million, as shown in the table below:

(in Euro thousands)	2010	2009
Existing claims reserve at beginning of year	4,586,911	4,433,886
Indemnities paid during the year, net of recoveries	1,767,251	1,647,706
Claims reserve at the end of the year	2,987,265	2,847,026
<b>Difference</b>	<b>(157,605)</b>	<b>(60,846)</b>

Within the reconciliation of the claims of previous years the most significant deficiencies relate to the Motor TPL classes (Euro 171,834 thousand) and the Health TPL Class (Euro 16,877 thousand).

## CHANGE IN OTHER TECHNICAL RESERVES NET OF REINSURANCE – (ACCOUNT I.5)

(in Euro thousands)	2010	2009	Change
Reserve for old age	(787)	(532)	(255)

The decrease, amounting to Euro 255 thousand, is attributable to the ageing reserve as per article 25 of Legislative Decree 175/1995, determined in accordance with the analytical criteria contained in article 25, paragraph 3 of this decree.

## OPERATING EXPENSES – (ACCOUNT I.7)

(in Euro thousands)	2010	2009	Change
Acquisition commissions	(579,519)	(551,525)	(27,994)
Other acquisition expenses	(95,151)	(90,639)	(4,512)
Change in commissions and other acq. expenses to amort.	-	-	-
Collection commissions	(12,716)	(12,932)	216
Other administration expenses	(163,085)	(157,355)	(5,730)
Commissions and profit participation received from reinsurers	30,943	29,071	1,872
	<b>(819,528)</b>	<b>(783,380)</b>	<b>(36,148)</b>

The purchase commissions also include acquisitions on long-term contracts.

Acquisitions commissions include the sales agency costs in accordance with article 51 of Legislative Decree 173/97.

The other acquisition expenses are largely due to the operating structures in place in the country.

The other administration expenses include depreciation on fixed assets of Euro 498 thousand (Euro 372 thousand in 2009), as well as the amounts defined as per article 53 of Legislative Decree 173/97.

## OTHER TECHNICAL CHARGES NET OF REINSURANCE – (ACCOUNT I.8)

(in Euro thousands)	2010	2009	Change
Other gross technical charges	114,914	112,567	2,347
Other technical charges ceded to reinsurers	1,937	5,499	(3,562)
	<b>116,851</b>	<b>118,066</b>	<b>(1,215)</b>

The account amounts to Euro 116,851 thousand and includes Euro 10,529 thousand of cancellations of premiums as non-collectible and Euro 80,485 thousand of cancellations of premiums for technical errors. This latter aspect includes the abolition of the tacit extension regime of the Motor TPL contracts, as well as the obligation for the insurance company to deliver to the insured party the declaration of the risk at the end of each year.

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## EQUALISATION RESERVES – PROVISIONS AND UTILISATIONS – (ACCOUNT I.9)

The net change amounts to Euro 2,711 thousand.

The breakdown by class is shown below:

(in Euro thousands)	2010	2009
<b>Reserve for natural disaster risks (direct business)</b>		
Accident	3	-
Land vehicles	1,010	982
Aviation	3	5
Maritime	14	17
Goods in transit	22	19
Fire	1,624	1,471
Other property damage	24	28
Pecuniary losses	11	11
	<b>2,711</b>	<b>2,533</b>
<b>Reserve off-set with Credit class</b>	-	-
	<b>2,711</b>	<b>2,533</b>

Attachment 19 shows a summary by class of the technical account in the Non-Life Division.



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## SECTION 19

### INFORMATION CONCERNING THE LIFE TECHNICAL ACCOUNT

#### PREMIUMS WRITTEN NET OF REINSURANCE – (ACCOUNT II.1)

(in Euro thousands)	2010	2009	Change
Direct premiums	1,231,111	1,061,766	169,345
Indirect premiums	4,419	5,192	(773)
<b>Gross premiums written</b>	<b>1,235,530</b>	<b>1,066,958</b>	<b>168,572</b>
Premiums ceded to reinsurers	(18,097)	(23,613)	5,516
<b>Premiums written in year, net of reinsurance</b>	<b>1,217,433</b>	<b>1,043,345</b>	<b>174,088</b>

The breakdown of the direct and indirect premiums together with the reinsurance balance is shown in attachment 20.

The account “gross premiums written” does not include, in accordance with ISVAP regulation No. 735 of 01/12/1997, the technical cancellation of first annuity premiums and single premiums issued in previous years, which were recorded in the account “Other technical charges”.

#### INVESTMENT INCOME – (ACCOUNT II.2)

In accordance with article 54 of Legislative Decree 173/97, all the financial asset income and charges related with investments in the Life division are recorded in the relative technical account.

(in Euro thousands)	2010	2009	Change
Income from shares	16,387	22,689	(6,302)
Income from other investments	323,202	329,385	(6,183)
Write-backs on investment values	8,501	125,255	(116,754)
Profit realised on investments	69,542	49,597	19,945
	<b>417,632</b>	<b>526,926</b>	<b>(109,294)</b>

The breakdown of the income from investments is shown in attachment 21, which also reports the corresponding data of the non-technical accounts related to the investments in the Non-Life Classes.

Income from shares does not include dividends deliberated by subsidiaries. In 2009, this amounted to Euro 9.3 million, relating to Milano Assicurazioni and Popolare Vita.

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**INCOME AND GAINS NOT REALISED RELATING TO INVESTMENTS WHERE THE RISK IS BORNE BY THE POLICYHOLDER AND FROM THE MANAGEMENT OF PENSION FUNDS - (ACCOUNT II.3)**

***Income from class D I***

(in Euro thousands)	2010	2009	Change
Gross income	12,886	15,250	(2,364)
Profits realised on investments	2,063	740	1,323
Unrealised gains	10,974	38,786	(27,812)
<b>TOTAL</b>	<b>25,923</b>	<b>54,776</b>	<b>(28,853)</b>

The non-realised gains refer for Euro 6,187 thousand to Unit-linked policies and for Euro 4,787 thousand to Index-Linked products. Among these gains are Euro 2,837 thousand relating to the Fondilink Azionario Unit product and Euro 2,283 thousand to the SAI Alfa 2000 product.

***Income from class D II***

(in Euro thousands)	2010	2009	Change
Gross income	5,333	4,844	489
Profits realised on investments	4,546	7,405	(2,859)
Unrealised gains	9,579	15,733	(6,154)
<b>TOTAL</b>	<b>19,458</b>	<b>27,982</b>	<b>(8,524)</b>

The class D.II. income refers to the “Fondo Pensione Aperto SAI”, the “Fondo Pensione Aperto Fondiaria Previdente” and the “Fondo Pensione Aperto Conto Previdenza”.  
The details of the income from class D is shown in attachment 22.

## OTHER TECHNICAL INCOME NET OF REINSURANCE - (ACCOUNT II.4)

(in Euro thousands)	2010	2009	Change
Other technical income before reinsurance	3,841	1,043	2,798
<b>TOTAL</b>	<b>3,841</b>	<b>1,043</b>	<b>2,798</b>

Euro 2,064 thousand relates to the recovery of management commissions concerning Open Pension Funds.

## CLAIMS INCURRED NET OF REINSURANCE – (ACCOUNT II.5)

(in Euro thousands)	2010	2009	Change
Gross sum paid	(1,135,297)	(1,102,099)	(33,198)
Reinsurers' share	14,319	14,512	(193)
Gross change in reserve for sums to be paid	(17,486)	17,641	(35,127)
Reinsurers' share	1,069	(575)	1,644
<b>TOTAL</b>	<b>(1,137,395)</b>	<b>(1,070,521)</b>	<b>(66,874)</b>

The gross sums paid are as follows:

(in Euro thousands)	2010	2009	Change
- for claims	33,356	32,671	685
- for matured policies	621,633	530,345	91,288
- for redemptions	462,035	526,074	(64,039)
- for life annuities	10,056	6,833	3,223
- for reinsured risks	8,217	6,176	2,041
<b>TOTAL</b>	<b>1,135,297</b>	<b>1,102,099</b>	<b>33,198</b>

## CHANGES IN THE ACTUARIAL AND OTHER TECHNICAL RESERVES NET OF REINSURANCE – (ACCOUNT II.6)

(in Euro thousands)	2010	2009	Change
Change in the gross amount of the actuarial reserve	(386,401)	(228,569)	(157,832)
Reinsurers' share	1,330	4,307	(2,977)
Change in the gross amount of the additional premium reserve	38	38	-
Reinsurers' share	-	-	-
Change in the gross amount of the technical reserves	3,355	4,880	(1,525)
Reinsurers' share	-	-	-
Change in the gross amount of the class D technical reserves	82,368	(13,036)	95,404
Reinsurers' share	-	-	-
<b>TOTAL</b>	<b>(299,310)</b>	<b>(232,380)</b>	<b>(66,930)</b>

The change in the technical reserves relates, principally, to the change of the actuarial reserves for pure premiums of contracts in portfolio, mainly related to the separated management.

## PROFIT SHARING AND REVERSALS RECOGNISED TO POLICYHOLDERS OR OTHER BENEFICIARIES – (ACCOUNT 11.7)

During the year no reversals or profit participations recognised to policyholders or other beneficiaries were recorded.

## OPERATING EXPENSES – (ACCOUNT II.8)

(in Euro thousands)	2010	2009	Change
Acquisition commissions	(16,976)	(15,689)	(1,287)
Other acquisition expenses	(13,368)	(12,607)	(761)
Change in commissions and expenses to be amortised	(49)	(316)	267
Collection commissions	(4,532)	(4,733)	201
Other administration expenses	(34,064)	(35,494)	1,430
Commissions and profit part. from reinsurers	2,474	4,828	(2,354)
<b>TOTAL</b>	<b>(66,515)</b>	<b>(64,011)</b>	<b>(2,504)</b>

The acquisition commissions include acquisition charges on long-term contracts of Euro 4,231 thousand (Euro 3,280 thousand in 2009). The change in commissions and expenses to be amortised is due essentially to the expensing in the income statement of the prepaid commissions relating to contracts signed by the former La Fondiaria S.p.A., whose amortisation plan was completed in the year.

The other acquisition expenses include, in addition to the expenses relating to the general structure of the Operating Department, the costs relating to the Sales Department and the IT expenses attributable to the new contracts acquired.

## ASSET AND FINANCIAL CHARGES – (ACCOUNT II.9)

(in Euro thousands)	2010	2009	Change
Management expenses on investments and interest expense	(22,281)	(18,009)	(4,272)
Write-downs on investment values	(260,636)	(24,619)	(236,017)
Losses realised on sale of investments	(38,475)	(10,273)	(28,202)
<b>TOTAL</b>	<b>(321,392)</b>	<b>(52,901)</b>	<b>(268,491)</b>

Attachment 23 reports the composition of asset and financial charges of Life management.

The investment management charges also include property taxes of Euro 130 thousand.

The adjustments to investment values include depreciation on fixed assets of Euro 184 thousand and adjustments to financial instruments as follows:

(in Euro thousands)	2010	2009	Change
CIII shares	(27,464)	(5,957)	(21,507)
Shares in group companies	(112,240)	(11,535)	(100,705)
Mutual funds	(455)	(916)	461
Government bonds	(98,996)	(2,623)	(96,373)
Corporate bonds	(21,294)	(3,351)	(17,943)
Other financial assets	(3)	(13)	10
<b>TOTAL</b>	<b>(260,452)</b>	<b>(24,395)</b>	<b>(236,057)</b>

## ASSET AND FINANCIAL CHARGES AND LOSSES NOT REALISED RELATING TO INVESTMENTS WHERE THE RISK IS BORNE BY THE POLICYHOLDER AND FROM THE MANAGEMENT OF PENSION FUNDS - (ACCOUNT II.10)

### *Class D I charges*

(in Euro thousands)	2010	2009	Change
Investment management charges	(2,594)	(842)	(1,752)
Losses realised on sale of investments	(370)	(2,885)	2,515
Losses not realised	(1,677)	(2,004)	327
<b>TOTAL</b>	<b>(4,641)</b>	<b>(5,731)</b>	<b>1,090</b>

The amount of the losses not realised refers for Euro 110 thousand to Unit-Linked products and Euro 1,567 thousand to Index-Linked products and other products as per article 30 of Legislative Decree 174/95.

### *Class D II charges*

(in Euro thousands)	2010	2009	Change
Investment management charges	(3,780)	(4,586)	806
Losses realised on sale of investments	(2,688)	(3,201)	513
Losses not realised	(4,235)	(325)	(3,910)
<b>TOTAL</b>	<b>(10,703)</b>	<b>(8,112)</b>	<b>(2,591)</b>

The class D.II. charges refers to the “Fondo Pensione Aperto SAI”, the “Fondo Pensione Fondiaria Previdente” and the “Fondo Pensione Conto Previdenza”. Attachment 24 shows a breakdown of these charges.

## OTHER TECHNICAL CHARGES NET OF REINSURANCE – (ACCOUNT II.11)

(in Euro thousands)	2010	2009	Change
Other gross technical charges	(18,553)	(21,131)	2,578
Other technical charges ceded to reinsurers	-	-	-
<b>TOTAL</b>	<b>(18,553)</b>	<b>(21,131)</b>	<b>2,578</b>

The other technical charges refer to losses on unrecoverable receivables and cancellations for technical error by the issuer.

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## **QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON TECHNICAL ACCOUNT (ACCOUNT IL.12)**

In accordance with ISVAP measure No. 22 article 23, the portion of the investment profits must not be lower than the amount of the investment profits contractually recognised to the policyholders in the year.

The technical account is attributed the entire amount of the Life income. Therefore, no transfers were made to the non technical account.

## **SECTION 20**

### **DEVELOPMENT OF THE CLASS TECHNICAL ACCOUNTS**

In accordance with ISVAP Regulation No. 17 of March 11, 2008 the Company adopted, with Board of Directors' resolution of June 18, 2008, the following criteria for the division of common costs and revenues between Life and Non-Life management:

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

Separately for each of the two managements: in the Non-Life Classes the common amounts to several Classes are represented by management expenses and by the quota of the profit of the investments transferred from the non technical account; in the Life Classes, the common accounts to several Classes are represented by the management expenses and the income from investments net of the quota transferred to the non technical account.

The following criteria for the breakdown of these common accounts are as follows:

- other acquisition expenses: include the costs of the Commercial Networks and the Assistance Unit together with the costs for the IT structure, utilised for the acquisition of the contracts. The allocation, in the majority of the cases, is made based on premiums, appropriately adjusted. Where possible, however, the direct allocation is made according to the nature of the expenses;
- claims expenses: they relate to expense cost centres of the Settlement Network and therefore the Claims Management and the cost for the IT claims procedures. The allocation of the expenses not directly attributable to the individual Classes is made based on the average number and amount of the claims settled by staff;
- other administration expenses: all the other costs not included in the two previous categories comprise the other administration expenses and principally relate to overhead costs included in the holding costs. The criteria utilised for the division is based on, in the majority of the cases, premiums appropriately adjusted, while for some expenses, promptly indentified, a different criteria was utilised due to the specifics of the activity undertaken;

- for the portion of the profits of the investments, reference should be made to article 22 of ISVAP Regulation No. 22.

Attachment 25 provides a summary of technical accounts by each Non-Life Class of the Italian portfolio.

Attachment 27 provides a summary of technical accounts by each Life Class of the Italian portfolio.

Further claims information on the technical accounts of the Non-Life and Life Classes, with reference to the Italian and foreign portfolios, are shown in attachments 26, 28 and 29.

## SECTION 21

### INFORMATION CONCERNING THE TECHNICAL ACCOUNT

#### INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION – (ACCOUNT III.3)

(in Euro thousands)	2010	2009	Change
Income from shares	11,242	87,806	(76,564)
Income from other investments	104,400	107,320	(2,920)
Write-backs on investment values	2,581	25,731	(23,150)
Profit realised on investments	49,914	119,580	(69,666)
<b>TOTAL</b>	<b>168,137</b>	<b>340,437</b>	<b>(172,300)</b>

Attachment 21 shows, together with the income from Life management, the details of investment income.

Income from shares does not include dividends deliberated by subsidiaries. This amount in 2009 amounted to Euro 52 million, relating to Milano Assicurazioni, Saifin-Saifinanziaria and Italiberia.

#### QUOTA OF INVESTMENT INCOME TRANSFERRED FROM THE LIFE DIVISION TECHNICAL ACCOUNT (ACCOUNT III.4)

Reference should be made to the comments in the related section of the Life Class technical account.

#### ASSET AND FINANCE CHARGES FOR NON-LIFE INSURANCE BUSINESS – (ACCOUNT III.5)

(in Euro thousands)	2010	2009	Change
Management expenses on investments and interest expense	(43,972)	(42,373)	(1,599)
Write-downs on investment values	(338,171)	(78,289)	(259,882)
Losses realised on sale of investments	(11,864)	(33,862)	21,998
<b>TOTAL</b>	<b>(394,007)</b>	<b>(154,524)</b>	<b>(239,483)</b>



Management charges on investments include income taxes of Euro 4,351 thousand, of which Euro 3,728 thousand due on Property Taxes.

The adjustments in value to investments include depreciation of buildings held for Euro 264 thousand, adjustments in value to investment property for Euro 17,066 thousand, concerning impairments in addition to the adjustments to financial instruments as follows:

(in Euro thousands)	2010	2009	Change
CIII shares	(80,862)	(19,912)	(60,950)
Shares in group companies	(196,867)	(47,341)	(149,526)
Mutual funds	(5,037)	(8,470)	3,433
Government bonds	(33,948)	(214)	(33,734)
Corporate bonds	(4,126)	(1,212)	(2,914)
<b>TOTAL</b>	<b>(320,840)</b>	<b>(77,149)</b>	<b>(243,691)</b>

Attachment 23 shows the asset and financial charges also in relation to Life management.

## **QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (ACCOUNT III.6)**

As established by Article 22 of ISVAP Regulation No. 22/2008, no transfers were made from the Non-Life Division technical account as a net investment charge was recorded during the year.

## **OTHER INCOME (ACCOUNT III.7)**

The account amounts to Euro 236,319 thousand (Euro 241,823 thousand in 2009) and is broken down as follows:

(in Euro thousands)	2010	2009	Change
Recovery of expenses and administrative costs	154,147	149,061	5,086
Interest on restricted bank current accounts	1,700	3,964	(2,264)
Interest on insurance company accounts	415	653	(238)
Interest on other receivables	3,151	8,890	(5,739)
Utilisation of doubtful debt provision	7,341	12,580	(5,239)
Utilisation of provision for risks and charges	29,049	39,496	(10,447)
Other income	31,101	25,903	5,198
Exchange differences	9,415	1,276	8,139
<b>TOTAL</b>	<b>236,319</b>	<b>241,823</b>	<b>(5,504)</b>

The recovery of third party expenses and administration costs, which are offset against other charges, principally relate to the recharges for personnel costs to companies of the Group against the division, based on standard criteria, of the general functional costs.

The interests on non restricted bank accounts includes interest of Euro 1,103 thousand on bank accounts held by BancaSai and for Euro 597 thousand on current accounts of other banks.

The interest from other receivables principally relates to interest on tax receivables for Euro 104 thousand and interest for the management of the Road Victims' Provision claims for Euro 631 thousand and interest from agents of Euro 2,248 thousand.

The utilisation of the doubtful debt provision is due to the losses recorded in the year relating to amounts which were provisioned and to other estimates not collectible other than those relating to premiums issued.

The utilisation of the provisions for risks and charges includes the employee service bonds provision as per article 32 of the CCNL of Euro 607 thousand and Euro 229 thousand from the commitments deriving from the trade union agreement of April 14, 1972 for pension integrations.

Utilisations were also recorded of Euro 28,213 thousand from the provision for risks and charges, among others, against charges incurred, already accrued in previous years, as well as against charges incurred following the settlement of disputes or the elimination of risks in this regard.

Other income, amounting to Euro 31,101 thousand (Euro 25,903 thousand at 31/12/09) principally refers to services provided to companies of the Group.

These amounts are in addition to those of a mere recovery of costs and relate to the recovery from third parties of expenses and administration charges.

The account Other Income amounted for over Euro 3,753 thousand to gains on the Lehman Brothers security matured, having been fully written-down in previous years. The gain was recorded to other income as the matured security had already been written-down through the doubtful debt provision and recorded in the income statement under other charges.

## **OTHER CHARGES (ACCOUNT III.8)**

The account amounts to Euro 350,850 thousand (Euro 324,246 thousand in 2009) and includes:

(in Euro thousands)	2010	2009	Change
Administrative costs/expenses incurred for third parties	(154,147)	(149,061)	(5,086)
Interest expense on insurance company accounts	(1,152)	(1,651)	499
Provision for doubtful debts	(13,901)	(19,241)	5,340
Provision for risks and charges	(49,840)	(14,288)	(35,552)
Losses on receivables	(10,521)	(3,100)	(7,421)
Amortisation on other intangible assets	(1,488)	(5,385)	3,897
Goodwill amortisation	(48,657)	(48,657)	-
Interest on loans	(17,137)	(22,133)	4,996
Interest on sub-ordinated liabilities	(30,251)	(39,700)	9,449
Exchange differences	(2,562)	(238)	(2,324)
Others	(21,194)	(20,792)	(402)
<b>TOTAL</b>	<b>(350,850)</b>	<b>(324,246)</b>	<b>(26,604)</b>

The administration costs/expenses incurred for third parties, which are also recorded under other income, within recoveries principally relate to the recharge of personnel costs to companies of the Group against the division, based on standard criteria, of the general Group overhead costs.

The provision for doubtful debts relates to the provision from agencies and brokers, from co-insurance companies and other debtors, other than those deriving from policyholders for amounts considered doubtful.

The provision for risks and charges refers for Euro 48,134 thousand to provisions for future risks and charges.

The provision also includes charges that the company must incur, of a certain nature and amount, for which the date of payment is still uncertain.

The residual refers for Euro 1,706 thousand to the provisions for the service premium fund as per article 32 of the CCNL.

In relation to the amortisation of goodwill in the year, reference should be made to the account Intangible Assets.

The amortisation of the other intangible assets, amounting to Euro 1,488 thousand, relate for Euro 106 thousand to software and for Euro 1,350 thousand to costs for the placement of the subordinated loans. Finally, Euro 29 thousand refers to leasehold improvements and Euro 3 thousand to trademarks.

The interest on loans principally includes Euro 9,386 thousand relating to the loan granted by the subsidiary Sainternational, Euro 4,562 thousand for interest on loans granted by the subsidiaries Saifin and Fondiaria Nederland and Euro 69 thousand relating to the payable to Sai Holding and Euro 301 thousand for interest on the loan granted by Sim Etoile.

Euro 2,407 thousand relates to interest on the senior loan contract of Euro 75 million from Mediobanca, in which the repayment took place on January 31, 2011.

The interest on subordinated liabilities refers entirely to four loans from Mediobanca.

The residual charges principally refer to costs incurred against revenues for services carried out by some companies of the Group for Euro 10,632 thousand, to the amount due to Finitalia on loans for receivables granted to insurance policy counterparties for Euro 3,239 thousand, costs for other taxes of Euro 700 thousand and bank charges of Euro 55 thousand.

## EXTRAORDINARY INCOME – (ACCOUNT III.10)

The account amounts to Euro 92,869 thousand (Euro 143,331 thousand at 31/12/2009) and is composed as follows:

(in Euro thousands)	2010	2009	Change
Gain on property sales	6,429	116,156	(109,727)
Gain from sale of investments in non-current securities	74,015	12,209	61,806
other extraordinary income	12,425	14,966	(2,541)
<b>TOTAL</b>	<b>92,869</b>	<b>143,331</b>	<b>(50,462)</b>

The gain on property sales decreased on the previous year as in 2009 the figure principally related to the extraordinary operation concerning the conferment of 11 properties to the Rho Fund.

The most significant gains relate to the building in Venezia, Bacino Orsileo 1854 for Euro 3,178 thousand and the building in Salerno, Via Lelia 15 for Euro 584 thousand.

The account “Gain from sale of investments in non-current securities” includes income to be realised of Euro 24,301 thousand relating to bonds, while Euro 49,714 thousand refers to the equity segment.

The other extraordinary income exclusively includes prior year income for Euro 12,425 thousand.

## **EXTRAORDINARY CHARGES – (ACCOUNT III.11)**

The account amounts to Euro 47,092 thousand (Euro 107,867 thousand at 31/12/2009) and is composed as follows:

(in Euro thousands)	<b>2010</b>	<b>2009</b>	<b>Change</b>
Expenses relating to the sale of buildings	(172)	(3,468)	3,296
Losses on property sales	(1)	-	(1)
Losses from sale of investments in non-current securities	(8,200)	(41,957)	33,757
Loss from valuation of treasury shares	(15,302)	(19,068)	3,766
Other extraordinary charges	(23,417)	(43,374)	19,957
<b>TOTAL</b>	<b>(47,092)</b>	<b>(107,867)</b>	<b>60,775</b>

The losses from sale of investments in non-current securities related for Euro 5,790 thousand to bonds and Euro 2,410 thousand to equities.

The other extraordinary charges include prior year charges of Euro 20,135 thousand, of which Euro 2,362 thousand due to sanctions from ISVAP. The account also includes the effect from the renegotiation with Company Agents of the amortisation period on compensation, whose lengthening resulted in a redetermination over a longer time period of the interest income already matured. The account also includes taxes from previous years of Euro 2,582 thousand, charges for repayment to policyholders against premiums paid in excess compared to the amount due following pronouncements by the Antitrust Authority for Euro 449 thousand and other extraordinary charges of Euro 251 thousand.

## INCOME TAXES - (ACCOUNT III.14)

The account is net tax income of Euro 95,498 thousand (net tax income of Euro 4,009 thousand in 2009) and is broken down as follows:

(in Euro thousands)	2010	2009	Change
<b>Current taxes</b>			
IRES income taxes before changes from tax consolidation	-	-	-
Estimated income/(charge) from tax consolidation	2,750	4,864	(2,114)
<b>IRES</b>	<b>2,750</b>	<b>4,864</b>	<b>(2,114)</b>
<b>IRAP</b>	<b>-</b>	<b>(1,000)</b>	<b>1,000</b>
<b>Total current income taxes</b>	<b>2,750</b>	<b>3,864</b>	<b>(1,114)</b>
<b>Deferred taxes</b>			
IRES	94,763	33,052	61,711
IRAP	(916)	1,453	(2,369)
<b>Total net deferred taxes</b>	<b>93,847</b>	<b>34,505</b>	<b>59,342</b>
<b>Other income taxes</b>			
IRES/IRAP substitute tax	(1,099)	(34,270)	33,171
<b>Total other taxes</b>	<b>(1,099)</b>	<b>(34,270)</b>	<b>33,171</b>
<b>Total taxes for the year</b>	<b>95,498</b>	<b>4,099</b>	<b>91,399</b>

The current income taxes refer to the estimated IRES income taxes and IRAP regional taxes for the current year, calculated in accordance with the current tax regulations and applied on the respective assessable basis for the nominal amounts of 27.5% for IRES income taxes and 4.82% for IRAP regional taxes.

The current tax, where present, is recorded as a provision and not as a tax payable, as at the year-end the income tax declaration of the company was not yet prepared.

In relation to the IRES income tax, for the year 2010 the Group taxation was continued pursuant to article 117 of the Pres. Decree No. 917/1986 (so-called national tax consolidation) in which the Company, as consolidating company, settles and pays the IRES income tax on behalf of the subsidiary companies within the tax consolidation.

However, the IRES income tax in the income statement only refers to the amount attributable to the Company based on its result, positive or negative, net of the positive and negative tax items deriving from the consolidation adjustments. The income tax provision includes the entire charge estimated by the Group.

Current income taxes amount to tax income of Euro 2,750 thousand as the joint effect between the remuneration of the estimated fiscal losses which the Company contributes to the national tax consolidation and the income or charges allocated to the consolidating Fondiaria-SAI of the losses of some subsidiaries net of the restitution of the fiscal savings to the subsidiaries which contributed assessable income absorbing previous losses contributed to the consolidating company.

In accordance with national accounting standard O.I.C. No.25, in relation to the correct recording of the advantages from the fiscal consolidation, the amount recorded as income refers only to the fiscal saving related to the losses effectively off-settable within the income of the group while, for the excess, the relative deferred tax assets were recorded.

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

(in Euro thousands)	2010	2009	Change
<b>Loss before taxes</b>	<b>(731,905)</b>	<b>36,118</b>	<b>(768,023)</b>
Taxes on theoretical income (excluding regional tax)	201,274	(9,932)	211,206
Tax effect from changes in permanent differences	(113,512)	36,333	(149,845)
Other differences	9,751	11,515	(1,764)
<b>Taxes on income (excluding regional tax)</b>	<b>97,513</b>	<b>37,916</b>	<b>59,597</b>
IRAP	(916)	453	(1,369)
Other taxes	(1,099)	(34,270)	33,171
<b>Total income taxes for the year</b>	<b>95,498</b>	<b>4,099</b>	<b>91,399</b>

For a better understanding of the reconciliation between theoretical taxes and actual taxes, no account was taken of the IRAP regional tax as the assessable base is substantially different, and therefore not comparable. No account was taken of the substitute taxes recorded.

The permanent differences, whose net effect results in an increase in income taxes for the year of Euro 113,512 thousand refers to exempt income of approx. Euro 113,637 thousand, deductions solely for tax purposes of Euro 6,872 thousand and non deductible costs of Euro 533,279 thousand. The exempt income refers largely to tax gains realised on shares recorded under non-current assets pursuant to Article 86 of Presidential Decree 917/1986 (so-called PEX) and dividends received in the year.

The deductions solely for tax purposes refer to the higher amount of amortisation, deductible over 9 years from 2010, on goodwill recorded to the financial statements as per Article 15 of Legislative Decree No. 185/2008 through the settlement of IRES and IRAP substitute taxes at a rate of 16%.

Against these deductions, part of the substitute taxes due for Euro 1,099 thousand were recorded to the income statement, with a net benefit, in terms of a lower tax charge, of Euro 791 thousand.

Against this, under non-deductible costs, we highlight among others, the valuation losses relating to the same exempt securities, other taxes and non-deductible amortisation and depreciation and finally, the non-deductible component of the change of obligatory technical reserves of the Life Division as established by the new provisions introduced with Article 38 of Legislative Decree No. 78/2010.

The positive effect of the other permanent changes of Euro 9,751 thousand was recorded as a joint effect between the allocation to Fondiaria-SAI of losses of some subsidiary companies subscribing to the tax consolidation, net of losses transferred, in addition to the consolidation adjustments of Euro 18,242 thousand and against this, the reversal of deferred tax assets recognised in previous years for Euro 8,491 thousand as the recognition of the asset was no longer justified.

Substitute taxes fully refer to the already stated recording of the share of substitute taxes following the recognition of the differences between the value of goodwill recorded to the accounts and that for tax purposes.

Compared to the year 2009, there is a significant decrease in exempt income due to, among others, the lower amount of dividends in the year and lower realisation from non-current equity securities. In 2010, the increases in impairments impacted significantly, particularly those on investments in Group companies and some listed investments recorded under non-current assets.

The combined effect of current and deferred taxes, positive for Euro 95,498 thousand, renders the tax rate in the financial statements substantially non-comparable to the previous year.

In relation to IRAP, the estimated tax negatively affected the result in the year for Euro 916 thousand against a benefit of Euro 453 thousand recorded in the previous year.

This is exclusively related to the net impact of the deferred taxes while the current taxes were zero as the assessable tax base was significantly affected by the large contraction in the results of the non-life and life technical accounts.

The movements in deferred taxes are as follows:

(in Euro thousands)	2010	2009	Change
Deferred tax charges arising	(17)	(41)	24
Deferred tax charges cancelled	2,604	25,708	(23,104)
Deferred tax income arising	126,010	44,632	81,378
Deferred tax income cancelled	(34,750)	(35,794)	1,044
<b>TOTAL</b>	<b>93,847</b>	<b>34,505</b>	<b>59,342</b>

In accordance with article 2427 of the Civil Code, point 14, the following table shows the temporary differences giving rise to the deferred tax assets and liabilities. This was calculated applying to these temporary differences the nominal rates in force when the amounts will reverse, already approved at the date of the preparation of the present accounts, in accordance with national accounting standard No. 25, issued by O.I.C.

In relation to the IRAP regional income tax, following the above-mentioned changes to the assessable base the movements in the deferred tax liabilities are exclusively related to the reversal of the temporary timing differences, assessable or deductible, recorded in previous years.

The movements of the deferred tax assets are as follows:

(in Euro thousands)	2010		2009	
<b>Deferred tax income arising</b>	<b>Temp Diff</b>	<b>Deferred Tax</b>	<b>Temp Diff</b>	<b>Deferred Tax</b>
Tax loss	337,274	92,750	27,185	7,476
Write-down receivables from policyholders for premiums	24,459	6,726	22,406	6,162
Change Non-Life claims reserve	30,040	8,261	70,805	19,471
Write-down of other receivables	13,901	3,823	19,241	5,291
Property maintenance provision	-	-	4,274	1,175
Losses not realised on shares	42,119	11,583	9,889	2,719
Provision for risks and charges	10,118	2,782	8,191	2,253
Other temporary changes	309	85	309	85
<b>TOTAL</b>	<b>458,220</b>	<b>126,010</b>	<b>162,300</b>	<b>44,632</b>

(in Euro thousands)	2010	2010 Change	2010	
Deferred tax assets	Opening balance	with balance sheet impact	with P&L impact	Closing balance
Tax loss	7,476	(4,739)	92,751	95,488
Write-down receivables from policyholders for premiums	46,788	-	3,428	50,216
Change Non-Life claims reserve	22,407	-	6,932	29,339
Write-down of other receivables	10,906	-	1,804	12,710
Property maintenance provision	1,224	-	-	1,224
Losses not realised on shares	35,828	-	(5,880)	29,948
Provision for risks and charges	38,454	-	(7,337)	31,117
Other temporary changes	6,882	-	(438)	6,444
<b>TOTAL</b>	<b>169,965</b>	<b>(4,739)</b>	<b>91,260</b>	<b>256,486</b>

With reference to the temporary timing differences arising in the year, the recording of deferred tax assets for Euro 126,010 thousand is principally due to the estimated tax loss transferred to the tax consolidation for the part which exceeds immediate compensation from the positive net income transferred by the other participating companies and the component of the changes in the claims reserve deductible in subsequent years and write downs on receivables from policyholders for premiums. In relation to the above stated tax loss, the recognition of the deferred tax asset was considered reasonable given the forecast results for the five-year period.

On the other hand the reversal of the taxes accrued in previous years amounts to Euro 34,750 thousand (Euro 35,794 thousand in 2009). This amount is due for Euro 17,463 thousand to the reversal of the valuation losses recorded in the previous years following the realisation or recovery in values made in the year and for Euro 10,119 thousand to the reversal of the related income tax provision.

The recording of deferred tax assets and liabilities through equity results in the adjustment to taxes recorded in previous years which have resulted in higher or lower current taxes with correlated movement in the deferred tax provision.

The movements of the deferred tax liabilities are as follows:

(in Euro thousands)	2010	2009		
Deferred tax charges arising	Differences	Income tax	Differences	Income tax
Gains not realised on shares	63	17	149	41
<b>TOTAL</b>	<b>63</b>	<b>17</b>	<b>149</b>	<b>41</b>

(in Euro thousands)	2010	2010 Change	2010	
Deferred tax charges	Opening balance	with balance sheet impact	Wwth P&L impact	Closing balance
Deferred gains	800	-	(763)	37
Gains not realised on shares	1,128	-	(966)	162
Only fiscal depreciation	23,218	-	(858)	22,360
Other temporary changes	722	-	-	722
Allocation of merger deficit	22,694	-	-	22,694
<b>TOTAL</b>	<b>48,562</b>	<b>-</b>	<b>(2,587)</b>	<b>45,975</b>



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Deferred tax liabilities arising in the year are effectively non existent.

This is mainly due to the fact that from 2008 it is no longer permitted to record depreciation and adjustments only for tax purposes which results in the related temporary timing differences.

In addition we highlight the choice not to postpone the taxing of the gains realised on non-current securities and properties sold in the year against a large tax loss.

In relation to the reversal of the deferred tax liabilities recorded in previous years they amount to Euro 2,604 thousand.

Among the accounts excluded from the deferred tax are the provisions for risks and charges in previous years against those estimates for which it is considered appropriate, prudently, not to record deferred tax assets in consideration of the uncertainty on the timing and on the variability of the estimates made.

The write-downs on some properties for which - also as a result of their allocation - it is not possible to establish the time period for re-absorption of the temporary differences were also excluded in the year on a prudent basis.

Similarly the write-downs and the related write-backs on investments held in accordance with article 87 of Pres. Decree No. 917/1986 were excluded which, although technically reversible for the part of the gain which becomes taxable following the changes to the Pex law, they may not currently be recorded for a correct valuation.

## **SECTION 22**

### **OTHER INFORMATION ON THE INCOME STATEMENT**

Attachment 30 shows the transactions with group companies and attachment 31 shows the direct premiums written.

The table of costs relating to personnel, directors, and statutory auditors are reported in attachment 12.

Pursuant to Article 78 of CONSOB Resolution No. 11971 of May 14, 1999 and in accordance with the criteria of attachment 3C, the remuneration of directors, statutory auditors and general managers, of whatever nature and form, also from subsidiary companies, is shown below:

(Amounts in Euro)

NAME	DESCRIPTION OF OFFICE			REMUNERATION				
							Other remuneration (3)	
	Office held (1)	Period of office	Expiry of office	Emoluments for office	Non-monetary benefits (2)	Bonuses and other incentives	Emoluments for office in subsidiaries	Other
Ligresti Jonella	Chairman - Director EC	1/1-31/12/2010	AGM 2011	*2,352,895	3,626		145,684	
Ligresti Giulia Maria	Vice Chairman Director EC	1/1-18/02/2010 5/3-31/12/2010	AGM 2011	*251,320	3,626		555,731	
Pini Massimo	Vice Chairman Director EC	1/1-31/12/2010	AGM 2011	*288,552	35,754		231,240	
Talarico Antonio	Vice Chairman Director EC	1/1-31/12/2010	AGM 2011	*280,524	25,701		922,390	1,020,458 (a)
Marchionni Fausto	CEO – General Manager – Director - EC –RC	1/1-31/12/2010 1/1-26/10/2010	(▲) -	*1,600,000 8,164	3,145		435,591	2,964,018 (b)
Broggini Andrea	Director	1/1-31/12/2010	AGM 2011	50,933			-	
Comoli Maurizio	Director ICC	1/1-31/12/2010	AGM 2011	50,933 20,000			-	(c)
Corsi Francesco	Director	1/1-31/12/2010	AGM 2011	50,933			-	(d)
D'Urso Carlo	Director	1/1-31/12/2010	AGM 2011	50,933			-	(e)
La Russa Vincenzo	Director EC	1/1-31/12/2010	AGM 2011	50,933 50,295			-	(f)
Ligresti Gioacchino Paolo	Director CE	1/1-31/12/2010	AGM 2011	50,933 50,295			1,604,443 CHF 1,266,393	
Lo Vecchio Lia	Director	1/1-31/12/2010	(●)	50,933			12,937	967,037 (g)
Marocco Valentina	Director	1/1-31/12/2010	AGM 2011	50,933			-	
Mei Enzo	Director ICC RC	1/1-31/12/2010	AGM 2011	50,933 20,000 10,000			-	
Morbidelli Giuseppe	Director RC	1/1-31/12/2010 26/10-31/12/2010	AGM 2011	50,933 (■)			-	(h)
Rucellai Cosimo	Director RC	1/1-31/12/2010 16/2-26/10/2010	AGM 2011 -	50,933 6,904			135,991	
Spiniello Salvatore	Director CCI	1/1-31/12/2010	AGM 2011	50,933 20,000			18,287	(i)
Viglianisi Sergio	Director	1/1-31/12/2010	AGM 2011	50,933			-	
Visentin Graziano	Director RC	23/4-31/12/2010 26/10-31/12/2010	AGM 2011	37,140 1,836			15,000	(l)

(Amounts in Euro)

NAME	DESCRIPTION OF OFFICE			REMUNERATION				
				Emoluments for office	Non-monetary benefits (2)	Bonuses and other incentives	Other remuneration (3)	
	Office held (1)	Period of office	Expiry of office				Emoluments for office in subsidiaries	Other
Marino Benito Giovanni	Chairman Board Stat. Auditors	1/1-31/12/2010	AGM 2011	137,500			139,500	
D'Ambrosio Antonino	Statutory Auditor	1/1-31/12/2010	AGM 2011	90,000			23,000	
Spadacini Marco	Statutory Auditor	1/1-31/12/2010	AGM 2011	92,500			-	
Malerba Alessandro	Alternate Auditor	1/1-31/12/2010	AGM 2011	-			-	
Mosconi Maria Luisa	Alternate Auditor	1/1-18/02/2010 5/3-31/12/2010	AGM 2011	-			198,048	
Porfido Rossella	Alternate Auditor	1/1-31/12/2010	AGM 2011	-			60,145	
Erbetta Emanuele	General Manager	18/5-31/12/2010	(▲)	-				1,102,543 (m)
Carlino Stefano	General Manager	18/5-31/12/2010	Until revocation	-				692,526 (n)
KEY MANAGEMENT PERSONNEL (o)								
				1/1-31/12/2010		11,972		3,997,916

TABLE KEY:

- (1) In relation to the column "Office held" the letters "EC" indicate members of the Executive Committee, the letters "I.C.C." indicate members of the Internal Control Committee and the letters "RC" indicate members of the Remuneration Committee.  
(2) With reference to the column "Non monetary benefits" the estimated value is reported.  
(3) In relation to the column "Other remuneration" indicates the office for which the amounts were paid.

(\*) The remuneration for the offices held of the Chairman Ms. Jonella Ligresti, of the Vice Chairmen Ms. Giulia Ligresti, Mr. Massimo Pini and Mr. Antonio Talarico, of the Chief Executive Officer Mr. Fausto Marchionni (resigning from the office of Chief Executive Officer on January 27, 2011) include the remuneration for the offices of Director and Member of the Executive Committee, as approved by the Board of Directors of Fondiaria -SAI on June 17, 2009.

(▲) On January 27, 2011, Mr. Fausto Marchionni resigned from the positions of Chief Executive Officer and General Manager, while remaining in the office of Director (expiry of office: approval of 2011 accounts). The Board, also on January 27, 2011, appointed Mr. Emanuele Erbetta in place of the resigning Ms. Lo Vecchio, who was delegated also the position of Chief Executive Officer, all positions concluding at the shareholders' meeting for the approval of the 2010 accounts. Mr. Emanuele Erbetta continues a s General Manager.

(●) From January 1, 2011 Ms. Lia Lo Vecchio resigned from the position of Director.

(■) Mr. Morbidelli refused the emolument as member of the Remuneration Committee.

- a) Employee salary of the subsidiary company Immobiliare Lombarda.
- b) Employee salary of Fondiaria-SAI S.p.A..
- c) Professional services provided by Studio Comoli Battuello & Associati to Fondiaria -SAI S.p.A.: Euro 49,784 - Professional services provided to subsidiary companies: Euro 33,855.
- d) Professional services provided by the Studio leg.Associato Corsi Iozzelli-D'Angelo-Gori to Fondiaria -SAI S.p.A.: Euro 39,375.
- e) Professional services provided by Studio associato d'Urso Gatti e Bianci Studio Legale Associato to Fondiaria -SAI S.p.A.: Euro 546,000.  
(The fees regarding the share capital increase activities of Fondiaria-SAI S.p.A. were not indicated in that they will be based on the totality of activities carried out).  
Professional services provided to subsidiary companies: Euro 599,625.
- f) Professional services provided to Fondiaria-SAI S.p.A.: Euro 256,776 - Professional services provided to subsidiary companies: Euro 119,093.
- g) Employee salary of the subsidiary company Atahotels S.p.A. and post employment benefits regarding Atahotels.
- h) Professional services provided to Villa Ragionieri by Studio Legale Associato Morbidelli Bruni Righi Traina: Euro 14,149.
- i) Professional services provided to Fondiaria-SAI S.p.A.: Euro 315,000 - Services provided to subsidiary companies: Euro 215,000.
- j) Professional services provided to Fondiaria-SAI S.p.A. by Studio Visentin: Euro 190,000 - Services provided to subsidiary companies: Euro 140,000.
- m) Employee salary of the subsidiary company Milano Assicurazioni S.p.A..
- n) Employee salary of the parent company Premafin S.p.A.; the amount indicated is the recharge to Fondiaria -SAI S.p.A. for activities carried out by the General Manager of the Company.
- o) The emoluments relate to key management personnel at an aggregate level.

## Obligation to publish the audit fees and other services provided by audit firm

The Consolidated Finance Act reform contained in law No. 262 of December 28, 2005, supplemented by Legislative Decree No. 303 of December 29, 2006 modified the regulations on the incompatibility of the audit firm and introduced new provisions in relation to the disclosure of audit fees pursuant to article 160, paragraph 1-bis.

Article 149 of the Consob Issuers' regulations implemented article 160, paragraph 1-bis of the Consolidated Finance Act and establishes the format for the disclosure of the audit remuneration which the audit company and parties belonging to its network received, separately, for audit or other services and indicating the type or category or service.

The breakdown of fees received by the audit firm Reconta Ernst & Young S.p.A. and the companies that belong to the network of the audit firm, with reference to Fondiaria-SAI S.p.A. are shown below:

Type of services	Party providing service	Company	Remuneration (in Euro thousands)
a) audit	Reconta Ernst & Young S.p.A.	Fondiaria-SAI	1,248
b) certification work	Reconta Ernst & Young S.p.A.	Fondiaria-SAI	318
c) fiscal consulting	-	-	-
d) other services	Ernst & Young Financial Business Advisors S.p.A.	Fondiaria-SAI	238
Total fees in the year			1,804

*n.b. remuneration excluding VAT, including the amounts pertaining to the incorporated company Systema Vita*

The breakdown of fees received by the audit firm Reconta Ernst & Young S.p.A. and the companies that belong to the network of the audit firm, with reference to the subsidiaries of the Fondiaria-SAI Group are shown below:

Type of services	Party providing service	Company	Remuneration (in Euro thousands)
a) audit	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	1,090
	Network Ernst & Young	Foreign subsidiary companies	314
b) certification work	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	677
c) fiscal consulting	Network Ernst & Young	Foreign subsidiary companies	8
d) other services	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	45
	Ernst & Young Financial Business Advisors S.p.A.	Italian subsidiary companies	738
Total fees in the year			2,872

*n.b. remuneration excluding VAT*

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## **Part C**

### **Other information**

## SOLVENCY MARGIN AND CONSTITUTING ELEMENTS

The statement showing the solvency margin as per Regulation No. 19 of March 14, 2008, including the modifications of Regulation No. 28 of February 17, 2008, is attached to the financial statements. The amount of the margin is Euro 339 million for the Life Division, of which Euro 113 million as the share of the guarantee and for the Non-Life Division Euro 695 million, of which Euro 232 million as the share of the guarantee, against constituting elements of respectively Euro 676 million and Euro 1,457 million.

In relation to the adjusted solvency margin, calculated according to Regulation No. 18 of March 12, 2008 and including the corrective provisions of Regulation No. 37 of March 15, 2011, the margin is forecast at over 97% (121% at 31/12/2009). In particular, the required adjusted solvency margin is Euro 2,190 million against constituting elements of the margin of Euro 2,133 million.

The adjusted solvency margin therefore of the parent company amounted to 83% (106% at the end of 2009).

For the initiatives to bolster the adjusted solvency margin, reference is made to significant events after year-end concerning the share capital increase.

## TECHNICAL RESERVES TO BE COVERED AT THE END OF THE YEAR AND RELATIVE COVERING ASSETS

The schedules of the assets assigned to cover the technical reserves of the Life Classes and of the Non-Life Classes, partially amended by the new ISVAP Regulation No. 36 of 31/01/2011, in accordance with the provisions of the Supervision Authority, are attached to the financial statements. The covering reserves, totalling Euro 8,416 million for the Life Division (Euro 7,981 million relating to the class C reserves and Euro 435 million relating to the class D reserves) and Euro 6,174 million for the Non-Life Division, are undertaken by activity permitted by law.

The breakdown of covering assets are as follows:

CLASS (Euro millions)		NON-LIFE	LIFE
Asset code	Description of activities	Amount covering	Amount covering
A.1.1a	Securities issued or State guarantees	1,502	4,975
A.1.2a	Bonds and similar securities listed	179	2,066
A.1.2b	Bonds and similar securities non-listed	119	34
A.1.4	Fund units (Bonds)	92	
A.1.8	Accrued interest on securities	11	121
A.3.1a	Shares traded in a regulated market	943	522
A.3.1b	Non-listed shares	349	117
A.3.3	Fund units (Equities)	4	7
A.4.1	Land and buildings	1,116	36
A.4.3	Investments in Property companies	701	
A.4.4	Units in closed and non-closed property funds	276	103
A.5.2a	Units in non-listed security funds and reserved funds	18	
A.5.2b	Units in speculative funds	14	
B	Receivables	675	
D	Bank deposits	175	
<b>Total assets covering</b>		<b>6,174</b>	<b>7,981</b>
Technical reserves to be covered		6,174	7,981

## TRANSACTIONS WITH RELATED PARTIES

The principal transactions with the companies subject to management and coordination recorded in the accounts of the Parent Company are shown below:

(in Euro millions)

Company	Assets	Liabilities	Costs	Revenues
<b>Subsidiaries</b>				
ATAHOTELS S.p.A.	4			9
BANCASAI S.p.A.	203			3
CENTRO ONCOLOGICO FIORENTINO S.r.l.	2			
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	148	149	249	139
IMMOBILIARE FONDIARIA SAI S.p.A.		9		
IMMOBILIARE LOMBARDA S.p.A.	2	5	4	1
LIGURIA S.p.A.	4	5		
MARINA DI LOANO S.p.A.		11		
MERIDIANO SECONDO S.r.l.		1		
MILANO ASSICURAZIONI S.p.A.	52	173	9	16
POPOLARE VITA S.p.A.	5	16	1	22
PRONTO ASSISTANCE S.p.A.	2	1	19	18
PRONTO ASSISTANCE SERVIZI S.c.a.r.l.		1	12	
SAI FINANZIARIA S.p.A.		162	3	
SAI HOLDING ITALIA S.p.A.	1	1		
SAI INVESTIMENTI SGR. S.p.A.	2			2
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	4			
SIAT S.p.A.	29	1	21	24
SINTESI SECONDA S.r.l.		2		
SISTEMI SANITARI S.c.r.l.	2		4	2
VILLA RAGIONIERI S.r.l.		5		
OTHER	8	9	10	3

In particular, the principal transactions relate to:

- BancaSai S.p.A. - the assets refer to current accounts which the parent company holds with the subsidiary for Euro 171 million and non-listed bonds issued by the subsidiary, and subscribed by the parent company for Euro 32 million;
- Gruppo Fondiaria-SAI Servizi s.c.r.l. – the assets refer to employee secondment receivables, while the liabilities comprise consortium contributions due for services received in the year; the costs incurred and the revenues principally relate to consortium transactions relating to group services;
- Marina di Loano S.p.A. – the liabilities refer to payables for group VAT for receivables transferred to the parent company;

- Milano Assicurazioni S.p.A. – the assets refer for Euro 38 million to reinsurance transactions, for Euro 7 million to receivables from co-assurance transactions, for Euro 5 million for employee secondment receivables; liabilities refer principally to the subscription of the company to the national tax consolidation for Euro 94 million relating to the payment of IRES on the national tax consolidation. This amount is also recorded as a receivable of the Parent Company from the tax authorities. The residual amount includes the technical reserves of Fondiaria-SAI S.p.A. against inward reinsurance transactions of Euro 58 million and the VAT payable of the Group for Euro 6 million. Costs and revenues principally concern income statement items relating to reinsurance transactions;
- Popolare Vita S.p.A. – the assets refer to receivables for technical-managerial services provided to the parent company for Euro 5 million; liabilities refer to the subscription of the Company to the tax consolidation for Euro 16 million; revenues principally refer to the provision of technical-managerial services and outsourced administration services to the Parent Company;
- Pronto Assistance S.p.A. - costs and revenues refer to reinsurance transactions, relating to the Assistance Class;
- Pronto Assistance Servizi S.p.A. – the costs refer to expenses incurred for claim settlement for Euro 9 million and Euro 3 million of administrative costs for assistance and operational services;
- Sai Finanziaria S.p.A. - the liabilities principally refer to the loan obtained of Euro 157 million;
- SIAT S.p.A. - the assets, costs and revenues principally refer to reinsurance transactions.

With reference to the other subsidiaries not within the application of article 2497 of the Civil Code, the principal transactions with the Parent Company were as follows:

(in Euro millions)

<b>Company</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Costs</b>	<b>Revenues</b>
<b>Subsidiaries</b>				
FINITALIA S.p.A.	5		3	
FONDIARIA-SAI NEDERLAND B.V.		72	1	
SAI INTERNATIONAL S.A.		5	12	
SIM ETOILE S.A.		15		
THE LAWRENCE LIFE LTD				2
THE LAWRENCE RE IRELAND LTD.	160	45	74	75
<b>Other holdings</b>				
EX VAR SCS	18			

In particular, the principal transactions relate to:

- Ex Var SCS – the assets refer to the undertaking of obligations concerning an investment loan of Euro 18 million;
- Fondiaria Nederland B.V. - the liabilities refer to the loans obtained, while the costs refer to the interest on the loan;
- Sai International S.A. - the liabilities refer to the loans obtained of Euro 5 million, while the costs refer to the interest on the loan and those incurred on the loan of Euro 180 million repaid on 30/09/2010;



- Sim Etoile S.A. - the liabilities principally refer to loans obtained of Euro 15 million;
- The Lawrence Re Ireland Ltd. - the assets and liabilities and the costs and revenues refer to reinsurance transactions.

## Related Parties of Fondiaria-SAI

From the current year, greater disclosure is provided in relation to other related party transactions, with the provision both of the size of the cash inflows and outflows and the nature of the underlying activities. For comparative purposes, the figures of the previous year were restated in line with the current year.

The following transactions are highlighted:

(in Euro thousands) <b>COUNTERPARTY</b>	<b>31/12/2010</b>		<b>31/12/2009</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Holding company	195	734	92	416
Associated companies	555	106	274	144
Group companies	7	8	7	8
Other related parties	1,323	3,034	33,012	7,491
<b>Total</b>	<b>2,080</b>	<b>3,882</b>	<b>33,385</b>	<b>8,059</b>

(in Euro thousands) <b>NATURE</b>	<b>31/12/2010</b>		<b>31/12/2009</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Real estate activities	1,323	8	22,066	112
Insurance activities	-	106	-	2,699
Financing activities	-	8	11,220	8
Service provided	757	-	99	-
Services received	-	1,092	-	1,154
Emoluments for corporate officers	-	2,668	-	4,086
Remuneration to key management personnel	-	-	-	-
<b>Total</b>	<b>2,080</b>	<b>3,882</b>	<b>33,385</b>	<b>8,059</b>

(in Euro thousands) <b>COUNTERPARTY</b>	<b>31/12/2010</b>		<b>31/12/2009</b>	
	<b>Income</b>	<b>Charges</b>	<b>Income</b>	<b>Charges</b>
Holding company	162	2,319	166	2,238
Associated companies	314	-	1,063	-
Group companies	-	-	5	-
Other related parties	18,500	37,400	13,314	29,958
<b>Total</b>	<b>18,976</b>	<b>39,719</b>	<b>14,548</b>	<b>32,196</b>

(in Euro thousands)	31/12/2010		31/12/2009	
NATURE	Income	Charges	Income	Charges
Real estate activities	489	637	1,152	512
Insurance activities	18,158	16,113	13,037	5,619
Financing activities	-	-	-	-
Service provided	329	-	354	-
Services received	-	9,442	-	8,736
Emoluments for corporate officers	-	9,529	5	14,825
Remuneration to key management personnel	-	3,998	-	2,504
<b>Total</b>	<b>18,976</b>	<b>39,719</b>	<b>14,548</b>	<b>32,196</b>

(in Euro thousands)	31/12/2010		31/12/2009	
COUNTERPARTY	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Holding company	232	2,015	169	2,234
Associated companies	342	-	1,053	-
Group companies	-	-	-	-
Other related parties	18,591	38,738	13,404	60,023
<b>Total</b>	<b>19,165</b>	<b>40,753</b>	<b>14,626</b>	<b>62,257</b>

(in Euro thousands)	31/12/2010		31/12/2009	
NATURE	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Real estate activities	647	2,492	1,207	23,381
Insurance activities	18,158	14,230	13,037	5,655
Financing activities	-	-	-	11,220
Service provided	360	-	382	-
Services received	-	12,604	-	8,327
Emoluments for corporate officers	-	7,429	-	11,170
Remuneration to key management personnel	-	3,998	-	2,504
<b>Total</b>	<b>19,165</b>	<b>40,753</b>	<b>14,626</b>	<b>62,257</b>

The account Assets from Other related parties refers to the real estate transactions with the Company I.C.E.IN Iniziative Costruzioni Edili Industriali S.p.A. for Euro 1 million, restructuring works on the building located in Milan, Viale Monza, and the company Immobiliare Costruzioni IM.CO. S.p.A. for Euro 0.4 million for improvement expenses on the building owned.

The account Liabilities to Other related parties includes Euro 3 million concerning the emoluments for the offices of Director and Statutory Auditor, with deferred payments in 2011.

The account Income from Other related parties principally is of an insurance nature and includes:

- Euro 15 million for premiums of the Fondiaria SAI Group Employee Pension Fund and the Fondiaria SAI Group Senior Manager Pension Fund which were transferred to Fondiaria-SAI S.p.A. following the investment of the contributions in Life policies;
- Euro 1.4 million of premiums relating to Non-Life policies and Life policies.

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The account Charges from Other related parties relates to:

- Euro 13 million relating to emoluments for office and various compensation paid to directors, statutory auditors, general managers and senior management of the Parent Company;
- Euro 16 million of an insurance nature relating to the settlement of matured or redeemed life policies, the payment of contributions on behalf of the company to the Fondiaria SAI Group Employee Pension Fund and the the Fondiaria SAI Group Senior Manager Pension Fund, in addition to commissions paid to insurance intermediaries;
- Euro 6 million referring to transactions with Gilli Comunicazione S.r.l., Gilli S.r.l. and Laità S.r.l. for promotional and advertising campaigns and technical-administrative consultancy fees.

## **SIGNIFICANT NON-RECURRING EVENTS AND OPERATIONS**

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

## CASH FLOW STATEMENT AS AT 31/12/2010

(in Euro thousands)	31/12/2010	31/12/2009
<b>Profit (loss) before taxes</b>	<b>(731,905)</b>	<b>36,118</b>
<b>Non-cash adjustments</b>	<b>1,003,179</b>	<b>241,835</b>
Change in non-life unearned premium reserve	62,298	31,308
Change in claims reserve and other non-life technical reserves	61,091	136,436
Change in actuarial reserves and other life technical reserves	399,390	215,029
Change in deferred acquisition costs	49	316
Change in provisions	20,955	(25,208)
Non-cash income/charges from financial instruments, property investments and holdings	270,806	(78,339)
Other changes (Gains, Losses, Release on provisions, bad debts, provisions, amortisation, extraordinary tax income/charge, transfer reserves to income statement)	188,590	(37,707)
<b>Change in payables and receivables from operating activities</b>	<b>(40,275)</b>	<b>(162,286)</b>
Change in payables and receivables from direct insurance operations and reinsurance	(157,232)	(73,694)
Change in other payables and receivables	116,957	(88,592)
<b>Income taxes paid</b>	<b>(8,369)</b>	<b>(12,058)</b>
<b>Net liquidity generated/absorbed from cash items relating to investing and financing activities</b>	<b>105,504</b>	<b>46,044</b>
Investments where risk is borne by Life policyholders and pension fund management	105,504	46,044
<b>TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>328,134</b>	<b>149,653</b>
Net liquidity generated/absorbed from property investments	(1,830)	117,997
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	53,424	(179,717)
Net cash generated/absorbed from loans and receivables	9,716	28,813
Net cash generated/absorbed from investments in debt, equity and unit funds	(444,400)	61,149
Net cash generated/absorbed from intangible and tangible fixed assets	(1,260)	(621)
Net cash generated/absorbed from other investing activities	97,517	106,574
<b>TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(286,833)</b>	<b>134,195</b>
Net cash generated/absorbed from Group equity instruments	-	-
Net cash generated/absorbed from treasury shares	-	-
Dividends distributed	(67,751)	(116,904)
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	-	-
Net cash generated/absorbed from other financial liabilities	(11,219)	(115,009)
<b>TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(78,970)</b>	<b>(231,913)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (*)	333,994	282,059
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(37,669)	51,935
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (*)	296,325	333,994

(\*) Include liquidity (F.II) and deposits at credit institutions (C.III.6)

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## 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	0.88810
Japanese Yen	108.65	133.16
Swiss Franc	1.2504	1.4836
Serbian Dinar	106.0450	96.2044

*Milan, March 23, 2011*

*For the Board of Directors  
The Chairman*

Ms. JONELLA LIGRESTI

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## DECLARATION OF THE FINANCIAL STATEMENTS AS PER ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned Emanuele Erbetta (as Chief Executive Officer of Fondiaria-SA) and Pier Giorgio Bedogni (as Executive responsible for the preparation of the corporate accounting documents of Fondiaria-SAI) 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 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:

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.

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 23, 2011*

*The Chief Executive Officer*

Mr. Emanuele ERBETTA

*The Executive Responsible  
for the preparation of the corporate accounting documents*

Mr. Pier Giorgio BEDOGNI

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## **Independent boards reports**



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**Board of Statutory Auditors' Report  
to the Shareholders' Meeting on the Financial Statements at  
December 31, 2010 and on the activities carried out**

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Dear Shareholders,

The present report was drawn up in accordance with Legs. Decree 58/98 (Consolidated Finance Act or CFA) and in particular articles 149 and 153 and also with the indications issued by Consob through communication of April 6, 2001 and consolidated professional practices.

The financial statements submitted for your approval present the activities carried out by the company and the balance sheet, financial situation and result for the year of the Company as at December 31, 2010.

The 2010 financial statements of Fondiaria-SAI comply with the general provisions for insurance companies as per Legs. Decree No. 173 of 26/5/97 and the obligatory format as per ISVAP Regulation No. 22 of 4/4/2008, adopting the general preparation regulation and applying the valuation criteria established by Attachment 2 of the above-stated Regulation. They are presented together with the Directors' Report which includes all the information required by article 94 of Legislative Decree 209/05.

The Company financial statements at 31/12/2010 report a loss of Euro 636.6 million. This result was based on the individual accounts and events described in detail in the Directors' Report and in the Notes. This result has been significantly affected by impairments on financial instruments in addition to the need to absorb the poor performances of some subsidiaries.

The technical management performance of the Non-Life division was strongly affected by the need to revalue the residual claims in the prior generation reserve, considering the negative performance of the relative contracts and the continued impact of issues such as fraud and the charges relating to the settlement of physical injury claims.

The Board states that the Company, also in 2010, did not avail of the provisions contained in article 15 of Legislative Decree No. 185/08, the so-called 'anti-crisis decree' (enacted into Law No. 2/09 and subsequently extended with Legs. Decree of 24/07/2009) which provides the possibility for listed companies to value the securities not held to maturity by the Company at the value recorded in the last approved accounts, and therefore not as the lower of the book value and the market value.

Therefore also in the current year the Company did not change its accounting principles, valuing all the current segment of financial instruments at the lower between cost and market value.

The Board of Statutory Auditors informs you upon the supervisory activities carried out in 2010.

During the year the Board verified that the accounting principles adopted, described in the notes to the financial statements, were adequate in relation to the activities and operations undertaken by the Company and also verified the correlation between the accounts and the facts and information which we are aware of following our participation at the meetings of the Corporate Boards.

This permitted us to acquire adequate information on the most important economic, financial and equity operations undertaken by the Company.

In 2010 we attended all the meetings of the Board of Directors (16) and the meetings of the Executive Committee (2), systematically receiving from the board of directors information on the activities performed and on the most important economic, financial and equity operations made by the Company and its Subsidiaries.

We can assure that the operations approved by the Board of Directors and the Executive Committee were carried out in conformity with law and the by-laws of the company and were not imprudent, risk related, atypical and/or unusual, in potential conflict of interest with the Company, contrary to the deliberations taken by the Shareholders' Meeting or such as to compromise the integrity of the company assets.

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We verified the reliability of the administration and accounting system in correctly representing the operational facts, in ensuring the safeguarding of the company's assets and in preventing or identifying promptly errors and irregularities, as well as on the level of the reliability of the internal control system to the operational needs.

We examined and reviewed, as part of our duties, the adequacy of the company's organisational structure and compliance with applicable regulations, through direct observation, collection of information from the heads of corporate departments and meetings with the Independent Audit Company, the Internal Control Committee, the Supervisory Board and the Executive responsible for the preparation of corporate documents, each in relation to their respective areas, for the mutual exchange of relevant information.

In relation to the adequacy of the organisational structure of the Company, which conforms with the size and the nature of the operations, we reviewed in particular the division of responsibilities into the various duties and departments, as well as the clear definition of the powers within each department.

In particular, following meetings with the Independent Audit Firm, the Internal Control Committee, the Supervision Board and the Executive Responsible, no data, facts or information arose which should be reported in the present report or to the External Supervision Authorities.

During 2010, we met 24 times and:

- we verified that the preparation of the financial statements and the directors' report were in compliance with law, through direct verifications and the information obtained from the Independent Audit Company and the various corporate departments. Based on the meetings carried out and the assurances received, the Auditors' Report of Reconta Ernst & Young S.p.A. on the 2010 annual accounts of Fondiaria-SAI does not report any exceptions or contain significant issues to be addressed;
- we verified the compliance of the correct administration principles, evaluating the conformity of the management to the criteria of economic rationality, without however examining the alternative managerial choices, exclusively reserved to the directors;
- we verified on the adequacy, including the timeliness, of the instructions given by the Company to the Subsidiary Companies, pursuant to article 114, paragraph 2, of Legislative Decree No. 58/98, in relation to communication obligations in accordance with law and article 2497 of the Civil Code. In particular, taking into account that the Company exercises the activity of management and coordination pursuant to article 2497 of the Civil Code in relation to the majority of its subsidiaries, we verified compliance with the conduct rules required for the same, both in order to ensure the carrying out of the coordination and control duties and to guarantee compliance of obligations in relation to transparency and disclosures to the market required by current regulations;
- we note that no atypical and/or unusual transactions were carried out;
- we verified compliance with the anti-money laundering provisions pursuant to law No. 197/91;
- we verified compliance with regulatory provisions in relation to the utilisation of derivative financial instruments;
- we verified compliance with the provisions in relation to the classification and valuation of the security portfolio and the conformity of the assignment of the financial instruments to the non-current segment and to the guidelines established by the specific Board of Directors' resolutions;

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- we monitored the activity of the Internal Audit with periodic meetings with the Group Audit Manager and we participated at 18 meetings held by the Internal Control Committee. In particular, we constantly monitored the internal control model of the Company, including through meetings and exchange of information with department heads and through participation at the above-mentioned meetings of the Internal Control Committee. With reference to liaison between the Boards of Statutory Auditors within the Group, although concerning professional figures that undertake the role in several companies belonging to the company, we undertook, during 2010, a series of reciprocal exchange of data and information;
  - we verified that the Company adhered to the regulations, processes and structures established for the monitoring of risks related to insurance activity, as described in the Directors' Report;
  - we verified the compliance with regulations which govern the coverage of the technical reserves with particular reference, in relation to the investments, to their full and free ownership and availability, to the inexistence of restrictions, to the compliance with the requisite of admissibility and of the other limits of various nature contained in the investment criteria, as well as their appropriateness. In this context a periodic examination was made of the appropriateness of the accounting and administrative procedures adopted by the Company for the management of the recording of the assets to cover the technical reserves, of their recording in the correct accounting register, in the statements attached to the financial statements and in the quarterly communications to Isvap;
  - we verified the correct recording and updating of the claims register in accordance with the provisions issued by the Supervision Authority;
  - we verified the constituting elements of the solvency margin both individually and at Group level. In particular, in relation to the individual solvency margin, the coverage decreased from 273.2% to 206.3%. Although a significant loss was recorded in the year, the constituting elements were however above the required margin. However, in relation to the adjusted solvency margin, the coverage is over 97%, despite this the option permitted by Isvap Regulation No. 37 of March 15, 2011 was exercised which resulted in an improvement of approx. 4%. Consequently, against the current adjusted solvency situation, it will be necessary, also pursuant to Article 227 of the Private Insurance Code, to draw up an intervention plan to eliminate the deficiency noted. The proposed share capital increase should be viewed in this context;
  - we verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of some of its members;
  - we have verified the continuance of our independence pursuant to the provisions of the Self-Governance Code;
  - we drew up, for the Shareholders' Meeting of 23/04/2010, a proposal concerning the appointment of the activities established by Articles 155 and 156 of Legislative Decree 58/98 for the years from 2010 to 2018 to the Audit Firm Reconta Ernst & Young S.p.A.

We state that the Company approved, with the support of the Internal Control Committee, specific conduct principles for the undertaking of significant operations and with related parties, which are continually monitored and updated.

On November 30, 2010, the Board of Directors of the Company 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. 1722 of March 12, 2010.

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In particular, in relation to transactions with related parties, including inter-group transactions, the Board has ensured that these transactions comply with the criteria of material and procedural correctness and that they did not conflict with the interests of the Company. Transactions of an economic and financial nature and with the Group companies are reported in an attachment to the Notes.

These transactions were supported, where necessary, by fairness opinions and legal opinions, were regulated at market prices and did not give rise to even potential conflicts of interest.

Further to that commented upon in other parts of the present report, we inform you that:

- the control system of the Company is adequate and efficient;
- no notifications were received in 2010 from shareholders or claims in accordance with article 2408 of the Civil Code by the Board of Statutory Auditors;
- the Company conferred to Ernst & Young Financial Business Advisor S.p.A., a company belonging to the network of the Audit Firm Reconta Ernst & Young S.p.A., an appointment concerning the mapping of corporate processes in accordance with law 262/2005, as well as an appointment regarding support activities for the Solvency II project. The total cost of these activities amounted to Euro 238 thousand, plus VAT. At the date of the present report, other services other than auditing were conferred to Studio Legale Tributario, belonging to the network of the Audit Company, for the execution of tax compliance checks. After the year-end, the Company appointed Ernst & Young Financial Business Advisors S.p.A. to carry out services other than auditing of a similar nature to those previously provided in 2010. In relation to that indicated and taking account of the nature of the appointments, no facts or situations such as to compromise the independence of the Audit Firm emerged;
- during the year we provided opinions in accordance with law, in accordance with article 2389, paragraph 3 of the Civil Code.

We express approval of the financial statements for the year ended 31/12/2010, as prepared by the Directors and of the proposal for the allocation of the result for the year.

Turin, April 4, 2011

*The Board of Statutory Auditors*

Mr. Benito MARINO  
Mr. Marco SPADACINI  
Mr. Antonino D'AMBROSIO

## Attachment to the Board of Statutory Auditors report of Fondiaria-SAI in accordance with Article 153 of Legislative Decree 58/98

List of offices held in Companies as per Book V, chapters V, VI, and VII of the civil code at the date of issue of the report (art. 144.5 Consob Regulation no. 11971/99)

Name of Company	Office	Expiry
<b>Dott. Benito MARINO (Chair, Board of Statutory Auditors)</b>		
1. Fondiaria-SAI S.p.A.	Chair, Board of Stat. Aud.	31/12/2011
2. Arti Grafiche Mario Bazzi S.p.A.	Chair, Board of Stat. Aud.	31/12/2011
3. Atahotel S.p.A. Aziende Turistiche Alberghiere	Chair, Board of Stat. Aud.	31/12/2011
4. BancaSai S.p.A.	Chair, Board of Stat. Aud.	31/12/2012
5. Chef Italia S.p.A.	Statutory Auditor	31/12/2010
6. Finanziaria Saccarifera Italo-Iberica S.p.A.	Chair, Board Stat. Aud.	31/12/2011
7. International Strategy S.r.l.	Chair, Board Stat. Aud.	31/12/2011
8. Mifin S.r.l.	Chair, Board Stat. Aud.	31/12/2012
9. Popolare Vita S.p.A.	Statutory Auditor	31/12/2012
10. Sai Mercati Mobiliari SIM S.p.A.	Chair, Board Stat. Aud.	31/12/2010
11. SIAT S.p.A.	Chair, Board Stat. Aud.	31/12/2012
12. Silent Gliss Italia S.r.l.	Chair, Board Stat. Aud.	31/12/2012
13. Silent Gliss Medit S.r.l.	Chair, Board Stat. Aud.	31/12/2010
14. Tavola S.p.A.	Chair, Board Stat. Aud.	31/12/2010
Number of offices held in issuing company	1	
Total number of offices held	14	
<b>Dott. Marco SPADACINI (Standing Member)</b>		
1. Fondiaria-SAI S.p.A.	Statutory Auditor	31/12/2011
2. AMBI S.p.A.	Chair, Board Stat. Aud.	30/06/2013
3. Apple Italia S.r.l.	Chair, Board Stat. Aud.	30/09/2012
4. Apple S.p.A.	Chair, Board Stat. Aud.	30/09/2012
5. Arnoldo Mondadori Editore S.p.A.	Director	31/12/2011
6. Atlantia S.p.A.	Chair, Board Stat. Aud.	31/12/2011
7. AXA Assicurazioni S.p.A.	Statutory Auditor	31/12/2012
8. Centurion Immobiliare S.p.A.	Statutory Auditor	31/12/2011
9. Compagnia Fiduciaria Nazionale S.p.A.	Director	31/12/2011
10. Delmi S.p.A.	Chair, Board Stat. Aud.	31/12/2010
11. Expo 2015 S.p.A.	Statutory Auditor	31/12/2011
12. Intesa San Paolo S.p.A.	Supervisory Board	31/12/2012
13. Lorenzo Galtruccio S.p.A.	Director	31/12/2010
14. Transalpina Di Energia S.r.l.	Statutory Auditor	31/10/2010
Number of offices held in issuing company	4	
Total number of offices held	14	

Name of Company	Office	Expiry
<b>Dott. Antonino D'AMBROSIO (Standing Member)</b>		
1. Fondiaria-SAI S.p.A.	Statutory Auditor	31/12/2011
2. Az. Agricola S. Lucia	Chair. Board of Stat. Aud.	27/03/2011
3. Civitavecchia Fruit & Forest S.p.A.	Statutory Auditor	31/12/2011
4. Europrogetti S.r.l.	Chair. Board of Stat. Aud.	31/12/2012
5. Fidespert S.p.A.	Statutory Auditor	09/12/2011
6. Finadin S.p.A.	Chair. Board of Stat. Aud.	31/12/2011
7. Fonti e Terme d'Italia S.p.A.	Statutory Auditor	31/12/2011
8. Grassetto Costruzioni S.p.A.	Chair. Board of Stat. Aud.	31/12/2010
9. Grassetto S.p.A. in liquidazione	Statutory Auditor	31/12/2012
10. I.C.E.IN S.p.A.	Chair. Board Stat. Aud.	31/12/2010
11. I.F.I.CEN. S.p.A.	Chair. Board Stat. Aud.	31/12/2011
12. Immobiliare Costruzioni IM. CO S.p.A.	Chair. Board Stat. Aud.	31/12/2010
13. Impr. A. Brambilla S.p.A.	Chair. Board Stat. Aud.	31/12/2012
14. Ingenera S.r.l.	Sole Director	A revoca
15. Iniz. Nuova edilizia S.p.A.	Statutory Auditor	31/12/2012
16. NIT S.r.l.	Chair. Board Stat. Aud.	31/12/2010
17. Premafin HdP S.p.A.	Statutory Auditor	31/12/2010
18. Raggruppamento Finanz. S.p.A.	Chair. Board Stat. Aud.	31/12/2011
19. SAI Mercati Mobiliari – SIM S.p.A.	Statutory Auditor	31/12/2010
20. Sinergia HdP S.p.A.	Chair. Board Stat. Aud.	31/12/2012
21. Soc. Agricola Tenuta Cesarina S.r.l.	Chair. Board Stat. Aud.	31/12/2011
<b>Number of offices held in issuing company</b>	<b>2</b>	
<b>Total number of offices held</b>	<b>21</b>	

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## **Auditors' Report**

**Relazione della società di revisione  
ai sensi degli artt. 14 e 16 del D.Lgs. 27.1.2010, n. 39  
e dell'art. 102 del D.Lgs. 7.9.2005, n. 209**

Agli Azionisti di  
FONDIARIA-SAI S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio di FONDIARIA-SAI S.p.A. chiuso al 31 dicembre 2010. La responsabilità della redazione del bilancio in conformità alle norme che ne disciplinano i criteri di redazione compete agli amministratori di FONDIARIA-SAI S.p.A.. È nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Secondo quanto previsto dall'art. 102 del D.Lgs. n. 209/2005 e dall'art. 24 del Regolamento ISVAP n. 22/2008, nell'espletamento del nostro incarico ci siamo avvalsi dell'attuario revisore che si è espresso sulla sufficienza delle riserve tecniche iscritte nel passivo dello Stato Patrimoniale di FONDIARIA-SAI S.p.A. tramite le relazioni qui allegate.

Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione emessa da altro revisore in data 6 aprile 2010.

3. A nostro giudizio, il bilancio d'esercizio di FONDIARIA-SAI 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 e il risultato economico di FONDIARIA-SAI S.p.A..

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 FONDIARIA-SAI S.p.A.. È di nostra competenza l'espressione del giudizio sulla coerenza con il bilancio 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) ed m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98, 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) ed 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 d'esercizio di FONDIARIA-SAI S.p.A. al 31 dicembre 2010.

Torino, 5 aprile 2011

Reconta Ernst & Young S.p.A.

A handwritten signature in black ink, appearing to read 'Ambrogio Virgilio'.

Ambrogio Virgilio  
(Socio)

**Prof. RICCARDO OTTAVIANI**

ATTUARIO

ORDINARIO NELL'UNIVERSITA' DI ROMA

00198 ROMA- VIA TEVERE, 46  
TEL 06 85.35.4000 FAX 06 89.68.70.11

**RELAZIONE DELL'ATTUARIO  
AI SENSI DEGLI ARTICOLI 102 E 103  
DEL DECRETO LEGISLATIVO 7 SETTEMBRE 2005 N. 209**

Spett.le Società di Revisione  
Reconta Ernst & Young S.p.A.  
Corso Vittorio Emanuele II, 83  
10128 - Torino

OGGETTO: FONDIARIA-SAI S.P.A. - BILANCIO DELL'ESERCIZIO 2010

Giudizio ai sensi dell'articolo 24, del Regolamento ISVAP N. 22 del 4 aprile 2008.

1. In esecuzione dell'incarico conferitomi, ho sottoposto a revisione attuariale le voci relative alle riserve tecniche dei rami danni, iscritte nel passivo dello stato patrimoniale del bilancio di esercizio della **FONDIARIA-SAI S.P.A.** chiuso al 31 dicembre 2010.
2. A mio giudizio, nel loro complesso le 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, 1 aprile 2011



L'attuario  
Prof. Riccardo Ottaviani

A handwritten signature in blue ink, appearing to be "R. Ottaviani", written over the printed name.

**Prof. RICCARDO OTTAVIANI**

ATTUARIO

ORDINARIO NELL'UNIVERSITA' DI ROMA

00198 ROMA- VIA TEVERE, 46  
TEL 06 85.35.4000 FAX 06 89.687011

**RELAZIONE DELL'ATTUARIO  
AI SENSI DEGLI ARTICOLI 102 E 103  
DEL DECRETO LEGISLATIVO 7 SETTEMBRE 2005 N. 209**

Spett.le Società di Revisione  
Reconta Ernst & Young S.p.A.  
Corso Vittorio Emanuele II, 83  
10128 - Torino

OGGETTO: FONDIARIA-SAI S.P.A. - BILANCIO DELL'ESERCIZIO 2010

Giudizio ai sensi dell'articolo 24, del Regolamento ISVAP N. 22 del 4 aprile 2008.

1. In esecuzione dell'incarico conferitomi, ho sottoposto a revisione attuariale le voci relative alle riserve tecniche dei rami vita, iscritte nel passivo dello stato patrimoniale del bilancio di esercizio della **FONDIARIA-SAI S.P.A.** chiuso al 31 dicembre 2010.
2. A mio giudizio, nel loro complesso le 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, 1 aprile 2011



L'attuario  
Prof. Riccardo Ottaviani

A handwritten signature in blue ink, appearing to be "R. Ottaviani", written over the printed name.

## Attachments

### **Others attachments**

- **List of direct and indirect investments of more than 10% in non-listed companies**
- **Statement of change in shareholders' equity**
  - **Buildings owned**

## List of direct and indirect holdings in non-listed companies of above 10% of the share capital at 31/12/2010

(In accordance with article 125-126 of CONSOB Resolution No. 11971 of 14/05/1999)

### FONDIARIA-SAI S.P.A. IS THE OWNER AS AT 31/12/2010 OF THE FOLLOWING SHARES/QUOTAS WITH VOTING RIGHTS

Name of Company Registered office	Company holding	Voting Shares held	% held	% total
APB CAR SERVICE SRL Italy	Auto Presto&Bene S.p.A.	10,000	100.000	100.000
ATA BENESSERE SRL in liquidation Italy	Atahotels Compagnia italiana Aziende Turistiche Alberghiere S.p.A.	100,000	100.000	100.000
ATAHOTELS Compagnia italiana Aziende Turistiche Alberghiere S.p.A. Italy	Fondiarria-SAI S.p.A. Milano Assicurazioni S.p.A.	8,843,400 8,496,600	51.000 49.000	100.000
ATAHOTELS SUISSE S.A. Switzerland	Atahotels Compagnia italiana Aziende Turistiche Alberghiere S.p.A.	98,000	98.000	98.000
ATAVALUE SRL Italy	Sai Holding Italia S.p.A.	10,000	100.000	100.000
AUTO PRESTO&BENE SRL Italy	Fondiarria-SAI S.p.A.	5,000,000	100.000	100.000
A7 SRL Italy	Immobiliare Milano Assicurazioni s.r.l.	40,000	20.000	20.000
BANCASAI SPA Italy	Fondiarria-SAI S.p.A.	1,166,771,610	100.000	100.000
BIM VITA SPA Italy	Fondiarria-SAI S.p.A.	3,750,000	50.000	50.000
BORSETTO SRL Italy	Immobiliare Milano Assicurazioni s.r.l.	1,335,149	44.928	44.928
BRAMANTE SRL Italy	Immobiliare Fondiarria-SAI s.r.l.	10,000	100.000	100.000
BUTTERFLY AM SARL Luxembourg	Immobiliare Fondiarria-SAI s.r.l.	6,666	28.570	28.570
CAMPO CARLO MAGNO SPA Italy	Milano Assicurazioni S.p.A.	18,622,400	100.000	100.000
CARPACCIO SRL Italy	Immobiliare Fondiarria-SAI s.r.l.	10,000	100.000	100.000
CASA di CURA VILLA DONATELLO SPA – Italy	Fondiarria-SAI S.p.A.	70,000	100.000	100.000
CASCINE TRENNO SRL Italy	Immobiliare Fondiarria-SAI s.r.l.	10,000	100.000	100.000
CENTRO ONCOLOGICO FIORENTINO CASA di CURA VILLANOVA SRL – Italy	Fondiarria-SAI S.p.A.	350,000	100.000	100.000



Name of Company Registered offices	Company holding	Voting Shares held	% held	% total
CITTÀ DELLA SALUTE SCRL Italy	Casa di Cura Villa Donatello S.p.A. Centro Oncologico Fiorentino - Casa di Cura Villanova s.r.l. Donatello Day Surgery s.r.l. Florence Centro di Chirurgia Ambulatoriale s.r.l.	50,000 45,000 2,500 2,500	50.000 45.000 2.500 2.500	100.000
CITYLIFE SRL Italy	Immobiliare Milano Assicurazioni s.r.l.	85,146	27.198	27.198
COLPETRONE SRL Italy	Saiagricola S.p.A. – Società Agricola	10,000	100.000	100.000
COMPAGNIA TIRRENA DI ASSICURAZIONI SPA in voluntary liquidation Italy	Milano Assicurazioni S.p.A.	3,900,000	11.143	11.143
COMPANIA DE SEGUROS Y REASEGUROS KAIROS S.A. in liq. – Spain	Eurosai Finanziaria di Partecipazioni s.r.l.	48,815	11.486	11.486
CASTELLO CONSORTIUM Italy	Nuove Iniziative Toscane s.r.l.	99,660	99.660	99.660
CONSORZIO SERVIZI TECNOLOGICI SCRL Italy	Fondiarria-SAI S.p.A. Gruppo Fondiarria SAI Servizi S.c.r.l. Milano Assicurazioni S.p.A. Sistemi Sanitari S.c.r.l.	3,500 9,000 2,000 500	3.500 9.000 2.000 0.500	15.000
CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA Italy	Fondiarria-SAI S.p.A.	601,400	30.070	30.070
DDOR AUTO DOO Serbia	Ddor Novi Sad A.D.O.	1	100.000	100.000
DDOR GARANT Serbia	Ddor Novi Sad A.D.O	8,472	32.460	32.460
DDOR NOVI SAD A.D.O. Serbia	Fondiarria-SAI S.p.A.	2,114,285	99.993	99.993
DDOR RE JOINT STOCK REINSURANCE COMPANY Serbia	Ddor Novi Sad A.D.O The Lawrence Re Ireland Ltd.	1 49,999	0.002 99.998	100.000
DIALOGO ASSICURAZIONI SPA Italy	Milano Assicurazioni S.p.A.	8,818,363	99.848	99.848
DOMINION INSURANCE HOLDINGS LTD Great Britain	Finsai International S.A.	50,780,305	100.000	100.000
DONATELLO DAY SURGERY SRL Italy	Centro Oncologico Fiorentino - Casa di Cura Villanova s.r.l.	20,000	100.000	100.000
EUROPA TUTELA GIUDIZIARIA SPA Italia	Fondiarria-SAI S.p.A.	2,000,000	100.000	100.000
EUROSAI FINANZIARIA DI PARTECIPAZIONI SRL Italy	Fondiarria-SAI S.p.A.	100,000	100.000	100.000
EX VAR SCS Luxembourg	Fondiarria-SAI S.p.A. Immobiliare Milano Assicurazioni s.r.l.	4,537 2,523	12.189 6.778	18.968
FINADIN SPA FINANZIARIA DI INVESTIMENTI Italy	Saifin Saifinanziaria S.p.A.	40,000,000	40.000	40.000

<b>Name of Company Registered offices</b>	<b>Company holding</b>	<b>Voting Shares held</b>	<b>% held</b>	<b>% total</b>
FINITALIA SPA Italy	BancaSai S.p.A.	15,376,285	100.000	100.000
FIN.PRIV. SRL Italy	Fondiaria-SAI S.p.A.	5,714	28.571	28.571
FINSAI INTERNATIONAL S.A. Lussemburgo	Fondiaria-SAI S.p.A. Sailux S.A. Sainternational S.A.	80,000 145,183 176,383	19.922 36.154 43.924	100.000
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL Italy	Centro Oncologico Fiorentino – Casa di Cura Villanova s.r.l.	10,400	100.000	100.000
FONDIARIA-SAI NEDERLAND BV Holland	Fondiaria-SAI S.p.A.	1,907	100.000	100.000
FONDIARIA-SAI SERVIZI TECNOLOGICI SPA Italy	Fondiaria-SAI S.p.A.	61,200	51.000	51.000
GARIBALDI SCA Luxembourg	Milano Assicurazioni S.p.A.	9,920	32.000	32.000
GLOBAL CARD SERVICE SRL Italy	Liguria Sociaetà di Assicurazioni S.p.A. Liguria Vita S.p.A.	43,472 50,388	44.000 51.000	95.000
GRUPPO FONDIARIA SAI SERVIZI SCRL Italy	Auto Presto&Bene S.p.A. BancaSai S.p.A. Bim Vita S.p.A. Dialogo Assicurazioni S.p.A. Europa Tutela Giudiziaria S.p.A. Finitalia S.p.A. Fondiaria-SAI S.p.A. Immobiliare Lombarda S.p.A. Incontra Assicurazioni S.p.A. Liguria Società di Assicurazioni S.p.A. Liguria Vita S.p.A. Milano Assicurazioni S.p.A. Pronto Assistance Servizi S.c.a.r.l. Pronto Assistance S.p.A. Sai Mercati Mobiliari – Società di Intermediazione Immobiliare S.p.A. SIAT – Società Italiana di Assicurazioni e Riassicurazioni S.p.A. Sistemi Sanitari S.c.r.l. Systema Compagnia di Assicurazioni S.p.A.	2,000 2,000 2,000 20,000 2,000 2,000 6,416,472 2,000 2,000 2,000 2,000 3,421,000 2,000 90,000  2,000  10,528 2,000 18,000	0.020 0.020 0.020 0.200 0.020 0.020 64.165 0.020 0.020 0.020 0.020 34.210 0.020 0.900  0.020  0.105 0.020 0.180	100.000
HINES ITALIA SGR SPA Italy	Fondiaria-SAI S.p.A.	368,866	18.000	18.000
HOTEL TERME DI SAINT VINCENT SRL Italy	Atahotels Compagnia italiana Aziende Turistiche Alberghiere S.p.A.	15,300	100.000	100.000
IGLI SPA Italy	Immobiliare Fondiaria-SAI s.r.l. Immobiliare Milano Assicurazioni s.r.l.	4,020,000 4,020,000	16.667 16.667	33.333
IMMOBILIARE FONDIARIA-SAI SRL Italia	Fondiaria-SAI S.p.A.	20,000	100.000	100.000
IMMOBILIARE LITORELLA SRL Italy	Immobiliare Fondiaria-SAI s.r.l.	10,329	100.000	100.000

<b>Name of Company Registered offices</b>	<b>Company holding</b>	<b>Voting Shares held</b>	<b>% held</b>	<b>% total</b>
IMMOBILIARE LOMBARDA SPA Italy	Fondiarria-SAI S.p.A. Milano Assicurazioni S.p.A.	92,458,632 51,620,836	64.172 35.828	100.000
IMMOBILIARE MILANO ASSICURAZIONI SRL Italy	Milano Assicurazioni S.p.A.	20,000	100.000	100.000
INCONTRA ASSICURAZIONI SPA Italy	Fondiarria-SAI S.p.A.	2,652,000	51.000	51.000
INIZIATIVE VALORIZZAZIONI EDILI – IN V.ED. SRL Italy	Immobiliare Fondiarria-SAI s.r.l.	10,329	100.000	100.000
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA Italy	Immobiliare Fondiarria-SAI s.r.l.	500,000	100.000	100.000
ISOLA SCA Luxembourg	Milano Assicurazioni S.p.A.	9,164	29.561	29.561
ISTITUTO EUROPEO DI ONCOLOGIA SRL Italy	Fondiarria-SAI S.p.A. Milano Assicurazioni S.p.A.	10,186,526 1,394,536	12.642 1.731	14.372
ITAL H&R SRL Italy	Italresidence s.r.l.	50,000	100.000	100.000
ITALRESIDENCE SRL Italy	Atahotels Compagnia italiana Aziende Turistiche Alberghiere S.p.A.	100,000	100.000	100.000
LIGURIA SOCIETÀ DI ASSICURAZIONI SPA Italy	Milano Assicurazioni S.p.A.	36,788,443	99.969	99.969
LIGURIA VITA SPA Italy	Liguria Società di Assicurazioni S.p.A.	1,200,000	100.000	100.000
MARINA DI LOANO SPA Italy	Immobiliare Fondiarria-SAI s.r.l.	5,536	100.000	100.000
MASACCIO SRL Italy	Immobiliare Fondiarria-SAI s.r.l.	10,000	100.000	100.000
MB VENTURE CAPITAL FUND I PARTECIP. COMPANY D NV Holland	Fondiarria-SAI S.p.A.	15,000	30.000	30.000
MERIDIANO AURORA SRL Italy	Fondiarria-SAI S.p.A.	10,000	100.000	100.000
MERIDIANO BELLARMINO SRL Italy	Immobiliare Fondiarria-SAI s.r.l.	10,000	100.000	100.000
MERIDIANO BRUZZANO SRL Italy	Immobiliare Fondiarria-SAI s.r.l.	10,000	100.000	100.000
MERIDIANO PRIMO SRL Italy	Immobiliare Fondiarria-SAI s.r.l.	10,000	100.000	100.000
MERIDIANO SECONDO SRL Italy	Immobiliare Fondiarria-SAI s.r.l.	10,000	100.000	100.000
METROPOLIS SPA Italy	Immobiliare Milano Assicurazioni s.r.l.	332,976	29.730	29.730
MIZAR SRL Italy	Immobiliare Fondiarria-SAI s.r.l.	10,329	100.000	100.000

<b>Name of Company Registered offices</b>	<b>Company holding</b>	<b>Voting Shares held</b>	<b>% held</b>	<b>% total</b>
NUOVA IMPRESA EDIFICATRICE MODERNA SRL Italy	Immobiliare Fondiaria-SAI s.r.l.	10,329	100.000	100.000
NUOVE INIZIATIVE TOSCANE SRL Italia	Fondiaria-SAI S.p.A. Milano Assicurazioni S.p.A.	48,440,000 1,560,000	96.880 3.120	100.000
OPEN MIND INVESTMENTS SCA SICAR Luxembourg	Fondiaria-SAI S.p.A.	372,453	65.854	65.854
PENTA DOMUS SPA Italy	Immobiliare Milano Assicurazioni s.r.l.	24,000	20.000	20.000
PONTORMO SRL Italy	Immobiliare Fondiaria-SAI s.r.l.	50,000	100.000	100.000
POPOLARE VITA SPA Italy	Fondiaria-SAI S.p.A. Sai Holding Italia S.p.A.	8,760,001 9,200,000	24.388 25.612	50.000
PROGETTO ALFIERE SPA Italy	Immobiliare Fondiaria-SAI s.r.l.	22,800	19.000	19.000
PROGETTO BICOCCA LA PIAZZA SRL in liquidazione Italy	Immobiliare Fondiaria-SAI s.r.l.	2,332,332	74.000	74.000
PRONTO ASSISTANCE SERVIZI SCARL Italy	BancaSai S.p.A. Dialogo Assicurazioni S.p.A. Fondiaria-SAI S.p.A. Incontra Assicurazioni S.p.A. Liguria Società di Assicurazioni S.p.A. Milano Assicurazioni S.p.A. Pronto Assistance S.p.A. Sistemi Sanitari S.c.r.l. Systema Compagnia di Assicurazioni S.p.A.	516 123,840 192,984 774 11,352 144,480 39,732 516 1,806	0.100 24.000 37.400 0.150 2.200 28.000 7.700 0.100 0.350	100.000
PRONTO ASSISTANCE SPA Italy	Fondiaria-SAI S.p.A.	2,500,000	100.000	100.000
QUINTOGEST SPA Italy	Fondiaria-SAI S.p.A.	980,000	49.000	49.000
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO. SRL Italy	Immobiliare Fondiaria-SAI s.r.l.	10,329	100.000	100.000
SAI HOLDING ITALIA SPA Italy	Fondiaria-SAI S.p.A.	50,000,000	100.000	100.000
SAI INVESTIMENTI SGR SPA Italy	Fondiaria-SAI S.p.A. Milano Assicurazioni S.p.A.	1,995,930 1,134,940	51.000 29.000	80.000
SAI MERCATI MOBILIARI – SOC. DI INTERMEDIAZIONE MOBILIARE SPA Italy	Fondiaria-SAI S.p.A.	20,000,000	100.000	100.000
SAI NETWORK SPA Italy	BancaSai S.p.A. Fondiaria-SAI S.p.A. Milano Assicurazioni S.p.A.	5,120,000 1,440,000 1,440,000	64.000 18.000 18.000	100.000
SAIAGRICOLA SPA - Società Agricola Italy	Fondiaria-SAI S.p.A. Milano Assicurazioni S.p.A. Pronto Assistance S.p.A.	60,722,765 4,490,641 786,594	92.004 6.804 1.192	100.000
SAIFIN SAIFINANZIARIA SPA Italy	Fondiaria-SAI S.p.A.	102,258,000	100.000	100.000

Name of Company Registered offices	Company holding	Voting Shares held	% held	% total
SAILUX S.A. Luxembourg	Finsai International S.A. Saifin Saifinanziaria S.p.A.	10 9,387,800	0.000 99.999	100.000
SAINT GEORGE CAPITAL MANAGEMENT S.A. Switzerland	Saifin Saifinanziaria S.p.A.	12,000	100.000	100.000
SAINTERNATIONAL S.A. Luxembourg	Fondiarria-SAI S.p.A.	15,399,997	99.999	99.999
SANTA MARIA DEL FICO SRL Italy	Saiaagricola S.p.A. – Società Agricola	78,000	100.000	100.000
SCONTOFIN S.A. Luxembourg	Sailux S.A.	950	19.000	19.000
SERVICE GRUPPO FONDIARIA-SAI SRL Italy	Fondiarria-SAI S.p.A. Milano Assicurazioni S.p.A.	140,000 60,000	70.000 30.000	100.000
SERVIZI IMM. MARTINELLI SPA Italy	Immobiliare Milano Assicurazioni s.r.l.	200	20.000	20.000
SIAT - SOC. ITALIANA ASS.NI E RIASSICURAZIONI SPA Italy	Sai Holding Italia S.p.A.	35,983,610	94.694	94.694
SIM ETOILE S.A.S France	Fondiarria-SAI S.p.A.	199,999	99.999	99.999
SINTESI SECONDA SRL Italy	Immobiliare Milano Assicurazioni s.r.l.	10,400	100.000	100.000
SISTEMI SANITARI SCRL Italy	Auto Presto&Bene S.p.A. BancaSai S.p.A. Bim Vita S.p.A. Dialogo Assicurazioni S.p.A. Europa Tutela Giudiziaria S.p.A. Finitalia S.p.A. Fondiarria-SAI S.p.A. Gruppo Fondiarria-SAI Servizi S.c.r.l. Immobiliare Lombarda S.p.A. Liguria Società di Assicurazioni S.p.A. Liguria Vita S.p.A. Milano Assicurazioni S.p.A. Popolare Vita S.p.A. Pronto Assistance Servizi S.c.r.l. Pronto Assistance S.p.A. Sai Investimenti Sgr S.p.A. Sai Mercati Mobiliari – Società di Intermediazione Mobiliare S.p.A. Sai Agricola S.p.A. – Società Agricola Service Gruppo Fondiarria-SAI s.r.l. SIAT – Società Italiana di Assicurazioni e Riassicurazioni S.p.A. Systema Compagnia di Assicurazioni S.p.A.	2,000 398 142 171 19 155 783,087 917 2,000 2,170 195 196,299 5,093 4,088 342 100 106 500 100 2,000 118	0.200 0.040 0.014 0.017 0.002 0.016 78.309 0.092 0.200 0.217 0.020 19.630 0.509 0.409 0.034 0.010 0.011 0.050 0.010 0.200 0.012	100.000
SOAIMPIANTI-ORGANISMI DI ATTESTAZIONE SRL in liq. Italy	Fondiarria-SAI S.p.A.	18,307	21.639	21.639
SOCIETÀ EDILIZIA IMMOBILIARE SARDA – S.E.I.S. SPA – Italia	Immobiliare Fondiarria-SAI s.r.l.	387,500	51.667	51.667

<b>Name of Company Registered offices</b>	<b>Company holding</b>	<b>Voting Shares held</b>	<b>% held</b>	<b>% total</b>
SOCIETÀ FINANZIARIA PER LE GEST.ASS.VE SRL in liq. Italy	Fondiaria-SAI S.p.A. Milano Assicurazioni S.p.A.	13,931,807 7,012,859	14.907 7.504	22.410
SOCIETÀ FUNIVIE DEL PICCOLO S. BERNARDO SPA - Italia	Immobiliare Fondiaria-SAI s.r.l.	1,441,691	27.384	27.384
SOFINPA SPA Italy	Saifin Saifinanziaria S.p.A.	2,400,000	30.000	30.000
SOGEINT SRL Italy	Milano Assicurazioni S.p.A.	100,000	100.000	100.000
SRP ASSET MANAGEMENT S.A. Switzerland	Sainternational S.A.	1,000	100.000	100.000
STIMMA SRL Italy	Fondiaria-SAI S.p.A.	10,000	100.000	100.000
SVILUPPO CENTRO EST SRL Italy	Immobiliare Milano Assicurazioni s.r.l.	4,000	40.000	40.000
SYSTEMA COMPAGNIA DI ASSICURAZIONI SPA Italy	Milano Assicurazioni S.p.A.	10,000	100.000	100.000
THE LAWRENCE LIFE ASSURANCE COMPANY LTD Ireland	Popolare Vita S.p.A.	802,886	100.000	100.000
THE LAWRENCE RE IRELAND LTD Irlanda	Fondiaria-SAI Nederland BV	635,000	100.000	100.000
TOUR EXECUTIVE SPA Italy	Atahotels Compagnia italiana Aziende Turistiche Alberghiere S.p.A.	500,000	100.000	100.000
TRE TORRI CONTRACTOR SCRL Italy	Immobiliare Lombarda S.p.A.	5,000	50.000	50.000
TRENNO OVEST SRL Italy	Immobiliare Fondiaria-SAI s.r.l.	10,000	100.000	100.000
UFFICIO CENTRALE ITALIANO SCARL Italy	Dialogo Assicurazioni S.p.A. Fondiaria-SAI S.p.A. Incontra Assicurazioni S.p.A. Liguria Società di Assicurazioni S.p.A. Milano Assicurazioni S.p.A. SIAT – Società italiana Assicurazioni e Riassicurazioni S.p.A. Systema Compagnia di Assicurazioni S.p.A.	1 141,358 24 3,093 109,752 948 2	0.000 14.136 0.002 0.309 10.975 0.095 0.000	25.518
VALORE IMMOBILIARE SRL Italy	Milano Assicurazioni S.p.A.	5,000	50.000	50.000
VILLA RAGIONIERI SRL Italy	Fondiaria-SAI S.p.A.	150,000	100.000	100.000
WAVE TECHNOLOGIES SRL Italy	Fondiaria-SAI S.p.A.	14,925	15.000	15.000

## Statement of changes in shareholders' equity in the year for the year ended 31/12/2010

(Euro thousands)	Share Capital	Legal reserve	Share premium reserve	Share premium reserve for disposal of option rights not exercised	Extraordinary reserve	Merger reserves	Revaluation reserve on securities	Reserve as per art. 10 Law No. 904 of 16/12/77	Revaluation reserve as per Law 19/3/83 No. 72	Reserve as per art. 26 Law No. 413 of 30.12.91	Dividend adjustment reserve	Treasury shares undistributable reserve	Reserve not distrib. holding company shares Leg. Decree 315/94	Reserve for purchase of treasury shares	Reserve for purchase holding company's shares	Stock option reserve on capital increases in course	Merger surplus	Net result for the year year
<b>BALANCE AT DECEMBER 31, 2009</b>	167,044	35,536	209,947	4,294	808,810	422	58,029	6,944	38,215	96,838	2,853	35,547	19,189	7,500	750	113,214	880,936	40,216
Allocation of 2009 profit, as per <b>Shareholders' AGM</b>																		
Legal reserve																		
Extraordinary reserve					5,234													-5,234
Board of Directors																		
Executive Committee																		
Dividends					-32,769													-34,982
<b>Change from share capitale increase:</b>																		
Share capital																		
Share premium reserve																		
Legal reserve																		
Reserve for share capital increase																		
<b>Merger adjustments:</b>																		
Merger surplus																	358	
Share capital increase																		
<b>Other changes:</b>																		
Cancellation treasury shares																		
Reserve as per D.lgs 124/93																		
Transfers from extraordinary reserves to/from reserve for treasury shares to purchase					7,500									-7,500				
					-3,750									3,750				
Transfers from extraordinary reserves to/from reserve not distributable for treasury shares					15,302							-15,302						
Transfers from extraordinary reserves to/from reserve for parent company shares to purchase					750										-750			
					-750										750			
Transfers from extraordinary reserves to/from reserve not distributable for parent company shares					5,082								-5,082					
Result for the year 2010																		-636,408
<b>BALANCE AT DECEMBER 31, 2010</b>	167,044	35,536	209,947	4,294	805,409	422	58,029	6,944	38,215	96,838	2,853	20,245	14,107	3,750	750	113,214	881,294	-636,408

**Schedule of property held for which monetary revaluations were made in accordance with Article 2425, paragraph 3 of the civil code supplemented by Legislative Decree 127/91 (in accordance with article 10 of law 72 of March 19, 1983) are shown below.**

	At 31/12/2010 Book value of property held revalued	Revaluations made			TOTAL
		Monetary revaluations	Economic revaluations	Law 30/12/91 No. 413	
Property used for business activities	7,256,111	99,106	1,675,081	902,376	2,676,563
Property used by third parties	621,920,916	13,494,697	84,936,542	29,780,803	128,212,042
Agricultural holdings	3,227,009	-	-	83,026	83,026
Shareholdings in Italian companies and entities: - listed	1,580,959,332	2,789,380	169,655,377	-	172,444,757
Shareholdings in Italian companies and entities: - non-listed	208,225,114	-	92,500,000	-	92,500,000
Shareholdings in Foreign companies and entities: - non-listed	126,311,722	5,813,909	3,986,277	-	9,800,186
	2,547,900,204	22,197,092	352,753,277	30,766,205	405,716,574



# Buildings owned at 31/12/10

At December 31, 2010

		Total gross	Accumulated depreciation	Net Value	Current value	Change
BUILDINGS						
CALENZANO	VIA DEGLI OLMI, 7	15,949,856	1,971,227	13,978,630	13,800,000	-178,630
CAMOGLI	FABBRICATI VIALE GAGGINI	98,349	3,428	94,921	106,000	11,079
	COMPLESSO ALBERGHIERO	12,827,510	1,781,628	11,045,881	14,700,000	3,654,119
	VIA ROMANA 215	279,340	0	279,340	277,000	-2,340
CASTEL MAGGIORE	LOCALITA' SALICETO	1,609,667	0	1,609,667	5,250,860	3,641,193
FERRARA	C.SO ERCOLE, 1', 6A	1,462,773	23,411	1,439,362	1,670,000	230,638
FLORENCE	P.ZA DELLA REPUBBLICA, 6	62,979,245	613,979	62,365,266	69,000,000	6,634,734
	P.ZZA LIBERTA', 13	13,619,171	1,034,331	12,584,840	14,990,000	2,405,160
	P.ZZA LIBERTA', 1N-1-2R	1,920,622	33,438	1,887,185	3,217,000	1,329,815
	P.ZZA LIBERTA', 2- V. S. GALLO, 123	11,219,794	988,381	10,231,413	14,370,000	4,138,587
	P.ZZA LIBERTA', 9-11	9,582,649	455,054	9,127,596	11,290,000	2,162,404
	VIA BARACCA, 18	1,907,538	27,251	1,880,287	2,485,000	604,713
	VIA BENIVIENI, 1-3	4,604,149	5,847	4,598,302	6,870,000	2,271,698
	V. CAMPO D'ARRIGO, 134	2,962,145	15,426	2,946,719	3,890,000	943,281
	VIA CAVOUR, 82-84	9,919,401	85,815	9,833,586	11,300,000	1,466,414
	V. L.IL MAGNIFICO, 2-4-6	8,509,273	1,256,937	7,252,336	8,800,000	1,547,664
	V.LANDINI/V.CATALANI	3,284,042	326,944	2,957,098	3,570,000	612,902
	VIA LEONE X, 3	2,583,625	34,933	2,548,692	3,050,000	501,308
	VIA PALCHETTI 1/3/5	4,849,686	8,642	4,841,044	8,464,000	3,622,956
	VIA PIAN DEI GIULLARI, 69/71	3,136,426	0	3,136,426	8,030,000	4,893,574
	V. PIER CAPPONI, 99	701,236	4,236	697,000	1,134,000	437,000

# Buildings owned at 31/12/10

At December 31, 2010

		Total gross	Accumulated depreciation	Net Value	Current value	Change
FLORENCE	VIA RICASOLI, 48	4,910,651	84,950	4,825,701	4,713,000	-112,701
	VIA S. REPARATA, 97	3,570,977	17,066	3,553,911	4,910,000	1,356,089
	VIA S. LEONARDO 32-34-36A	3,643,750	1,298	3,642,452	5,350,000	1,707,548
	VIA S. LEONARDO, 44	2,473,224	0	2,473,224	3,760,000	1,286,776
	VIA SAN LEONARDO, 46-48-6/R	3,332,169	0	3,332,169	5,520,000	2,187,831
	VIA VANNUCCI, 23	1,576,835	11,664	1,565,171	2,153,000	587,829
	VIA VITTORIO EMANUELE, 26	1,766,186	168	1,766,018	2,511,000	744,982
	V.LE GRAMSCI, 63	4,775,454	107,087	4,668,368	5,790,000	1,121,632
	V.LE LAVAGNINI, 3-5	1,933,255	43,117	1,890,138	1,931,000	40,862
	V.LE MATTEOTTI, 14-16-18	22,806,529	393,228	22,413,301	24,300,000	1,886,699
	V.LE MATTEOTTI, 50	3,721,868	8,068	3,713,800	4,707,000	993,200
	V.LE MATTEOTTI, 52	7,429,403	192,765	7,236,638	7,200,000	-36,638
	V.LE MATTEOTTI, 54	3,948,136	8,914	3,939,222	6,399,000	2,459,778
	V.LE MATTEOTTI, 56	2,336,778	0	2,336,778	3,580,000	1,243,222
	V. MATTEOTTI, 60	9,902,389	75,033	9,827,357	12,980,000	3,152,643
	V.LE MATTEOTTI, 64	4,321,643	10,873	4,310,770	6,444,000	2,133,230
	VIA SALVAGNOLI 4-6	9,138,212	0	9,138,212	9,100,000	-38,212
	V.LE S. LAVAGNINI, 7	4,608,824	2,940	4,605,884	6,260,000	1,654,116
GENOA	P.ZA FERRARI, 1	32,554,969	6,589,343	25,965,626	30,300,000	4,334,374
GIARDINI TAORMINA	COMPL. ALBERGHIERO NAXOS	63,059,003	35,903	63,023,100	63,023,100	0
IVREA	VIALE MONTE STELLA 6	562,103	0	562,103	729,700	167,597
MILAN	AREA MADONNINA	12,390,606	47,301	12,343,305	18,389,000	6,045,695
	AREA SESTO SAN GIOVANNI	42,326,170	618,161	41,708,010	45,250,000	3,541,990
	P.ZA VELASCA 5	85,714,613	3,055,802	82,658,811	103,878,150	21,219,339

# Buildings owned at 31/12/10

At December 31, 2010

		Total gross	Accumulated depreciation	Net Value	Current value	Change
	V.OLDOFREDI 51	1,072,292	59,864	1,012,428	3,800,250	2,787,822
	VIA PEROTTI, 2	2,595,939	31,269	2,564,670	3,200,000	635,330
	FABBRICATI LOCALITA' BRUZZANO	924,341	0	924,341	875,000	-49,341
	VIA MELZI D'ERIL	28,364,798	0	28,364,798	27,100,000	-1,264,798
	VIALE BOEZIO 20	21,235,896	3,059,204	18,176,692	19,400,000	1,223,308
	TORRE GALFA - VIA FARA 41	57,179,024	0	57,179,024	60,100,000	2,920,976
	V. TRECCANI DEGLI ALFIERI 16-26	18,390,537	682	18,389,855	32,000,340	13,610,485
	VIALE MONZA 139	22,290,847	0	22,290,847	26,450,570	4,159,723
	V.MONTI 21	11,028,714	1,041,291	9,987,424	14,363,480	4,376,057
MONCALIERI	STR. FERRERO DI CAMBIANO 20	7,302,615	840,598	6,462,017	6,000,000	-462,017
	V.POSTIGLIONE-VITTIME VAJONT	5,557,609	2,945,830	2,611,779	9,374,250	6,762,471
ORIGGIO	VIALE ITALIA 6	684,853	0	684,853	2,577,950	1,893,097
PIEVE EMANUELE	V.DELLE ROSE 6	7,589,779	11	7,589,768	12,524,650	4,934,882
PRATO	V. SIMINTENDI, 20	5,587,521	78,565	5,508,956	5,700,000	191,044
ROME	V.CARLO EMANUELE I' 7	484,935	0	484,935	969,480	484,545
	VIA GOVONI 24/43	49,977,990	0	49,977,990	59,870,000	9,892,010
	CASTELGIUBILEO-V.CAMERATA P./APIRO	36,680,281	789,953	35,890,328	52,649,202	16,758,874
S. MARGHERITA LIGURE	VIA DOLCINA 18	185,627	27,844	157,783	338,000	180,217
SELARGIUS (CA)	V.PERETTI	1,619,734	678,796	940,938	1,161,140	220,202
TURIN	C.DANTE 119	3,600,561	33,413	3,567,148	10,415,430	6,848,282
	C.G.GALILEI 12-14	35,417,443	10,507,491	24,909,952	58,788,950	33,878,998
	C.MATTEOTTI 51/V.S.ANTONIO DA PAD.2	5,159,861	597,554	4,562,307	15,554,120	10,991,813
	C. V. EMANUELE II 48	23,407,768	0	23,407,768	24,964,770	1,557,002
TURIN	P.CASTELLO 153/V.GARIBALDI 1	1,667,589	0	1,667,589	6,181,380	4,513,791

# Buildings owned at 31/12/10

At December 31, 2010

		Total gross	Accumulated depreciation	Net Value	Current value	Change
	PIAZZA GUALA, 143	10,151,448	1,025,055	9,126,394	11,500,000	2,373,606
	V.ARSENALE 5	10,560,701	663,941	9,896,760	9,289,900	-606,860
	V.GOBETTI/GRAMSCI/LAGRANGE/SOLERI	5,382,121	12,406	5,369,715	23,603,400	18,233,685
	V.GOBETTI/LOVERA/LAGRANGE/SOLERI	40,474,134	2,474,134	38,000,000	38,000,000	0
	V.GROSSI 29/DA VINCI 21/CELLINI 6	7,087,912	119	7,087,793	21,686,380	14,598,587
TRIESTE	VIA CARDUCCI 29	5,179,842	0	5,179,842	6,651,640	1,471,798
	VIALE XX SETTEMBRE 89	2,516,379	189,423	2,326,956	2,350,000	23,044
VARESE	ALBERGO VIA ALBANI	52,800,000	0	52,800,000	52,800,000	0
VIAREGGIO	V.LE MANIN, 12	6,286,226	21,211	6,265,015	6,530,000	264,985
CONDOMINIUM		192,026,717	11,029,974	180,996,743	270,502,239	89,505,496
		1,187,282,280	56,083,214	1,131,199,066	1,482,714,331	351,515,265

## OTHER PROPERTY

### LAND

CAMOGLI	LANDS AT CAMOGLI	58,420		58,420	277,000	218,580
FLORENCE	VIA S. LEONARDO, 38-40-42	1,374,055		1,374,055	3,490,000	2,115,945
MILAN	LOCALITA' BRUZZANO	13,918,524		13,918,524	13,179,000	-739,524
MODENA	VIA BUONARROTI	20,312		20,312	20,400	88
ROME	TOR CARBONE	7,747		7,747	20,700	12,953
SANREMO	(EX MONTEBIGNONE)	22,159		22,159	40,000	17,841

# Buildings owned at 31/12/10

**At December 31, 2010**

		<b>Total gross</b>	<b>Accumulated depreciation</b>	<b>Net Value</b>	<b>Current value</b>	<b>Change</b>
MAIORCA	LAND ALCUDIA	10,818		10,818	10,818	0
S. MARGHERITA LIGURE	LAND IN S. MARGHERITA LIGURE	46,778		46,778	72,000	25,222
AGRICULTURAL HOLDINGS						
MONTEPULCIANO (SI)	FARM AT CERRO	3,227,009	3,661	3,223,348	25,619,000	22,395,652
OTHER PROPERTY RIGHTS						
PIEVE EMANUELE	VIA DEI PINI LOC VIQUARTERIO	2,642,976		2,642,976	2,400,000	-242,976
FLORENCE	PARKING	2,629,553	350,081	2,279,472	3,330,000	1,050,528
ASSETS IN PROGRESS AND ADVANCES		2,808,481		2,808,481	3,000,000	191,519
TOTAL		1,214,049,112	56,436,956	1,157,612,156	1,534,173,249	376,561,093

# Beni immobili di proprietà al 31/12/2010 - Variazioni dell'esercizio

		At December 31, 2010						
		Balance 31/12/2009	Purchases & increases	Sales and disposals	Total	Property used for activities	Property used by third parties	Resident.
BUILDINGS								
CALENZANO	VIA DEGLI OLMI, 7	15,949,856			15,949,856		15,949,856	
CAMOGLI	BUILDINGS - VIALE GAGGINI	98,349			98,349		25,094	73,255
	HOTEL COMPLEX	12,827,510			12,827,510		12,827,510	
	VIA ROMANA 215	279,340			279,340			279,340
CASTEL MAGGIORE	LOCALITA' SALICETO	1,609,667			1,609,667		1,609,667	
FERRARA	C.SO ERCOLE, 1', 6A	1,382,838	79,934		1,462,772		1,462,772	
FLORENCE	P.ZZA LIBERTA', 13	13,319,379	299,792		13,619,171		11,932,635	1,686,536
	P.ZZA LIBERTA', 1N-1-2R	1,920,622			1,920,622		247,651	1,672,971
	P.ZZA LIBERTA', 2- V. S. GALLO, 123	11,047,627	172,167		11,219,794	2,382,043	3,461,904	5,375,847
	P.ZZA LIBERTA', 9-11	9,582,649			9,582,649		9,582,649	
	PIAZZA DELLA REPUBBLICA, 6	62,979,462		217	62,979,245		61,773,137	1,206,108
	VIA BARACCA, 18	1,907,538			1,907,538		1,907,538	
	VIA BENIVIENI, 1-3	4,604,149			4,604,149		992,785	3,611,364
	V. CAMPO D'ARRIGO, 134	2,962,145			2,962,145		1,637,857	1,324,288
	VIA CAVOUR, 82-84	9,919,401			9,919,401		9,919,401	
	V. L.IL MAGNIFICO, 2-4-6	8,509,273			8,509,273		8,509,273	
	V.LANDINI/V.CATALANI	3,284,042			3,284,042		2,945,261	338,781
	VIA LEONE X, 3	2,583,625			2,583,625		2,583,625	
	VIA PALCHETTI 1/3/5	4,849,686			4,849,686		1,271,175	3,578,511
	VIA PIAN DEI GIULLARI, 69/71	3,136,426			3,136,426			3,136,426
	V. PIER CAPPONI, 99	701,236			701,236		492,373	208,863
	VIA RICASOLI, 48	3,996,368	914,283		4,910,651		404,619	4,506,032
	VIA S. REPARATA, 97	3,570,977			3,570,977		3,570,977	
	VIA S. LEONARDO 32-34-36A	3,643,750			3,643,750			3,643,750
	VIA S. LEONARDO, 44	2,442,298	30,926		2,473,224		8,728	2,464,496
	VIA SAN LEONARDO, 46-48-6/R	3,332,169			3,332,169			3,332,169
	VIA VANNUCCI, 23	1,576,835			1,576,835		186,226	1,390,609

# Beni immobili di proprietà al 31/12/2010 - Variazioni dell'esercizio

At December 31, 2010							
	Balance 31/12/2009	Purchases & increases	Sales and disposals	Total	Property used for activities	Property used by third parties	Resident.
VIA VITTORIO EMANUELE, 26	1,766,186			1,766,186			1,766,186
V.LE GRAMSCI, 63	4,775,454			4,775,454		1,050,741	3,724,713
V.LE LAVAGNINI, 3-5	1,933,255			1,933,255			1,933,255
V.LE MATTEOTTI, 14-16-18	21,970,044	836,485		22,806,529		22,806,529	
V.LE MATTEOTTI, 50	3,214,098	507,770		3,721,868		904,295	2,817,573
V.LE MATTEOTTI, 52	7,422,341	7,062		7,429,403		7,429,403	
V.LE MATTEOTTI, 54	3,948,136			3,948,136		819,901	3,128,235
V.LE MATTEOTTI, 56	2,336,778			2,336,778			2,336,778
V. MATTEOTTI, 60	9,902,389			9,902,389		6,870,099	3,032,290
V.LE MATTEOTTI, 64	4,321,643			4,321,643		1,158,732	3,162,911
V.LE S. LAVAGNINI, 7	4,585,148	23,676		4,608,824		18,825	4,589,999
VIA SALVAGNOLI 4/6	9,138,212			9,138,212		9,138,212	
GENOA	P.ZA FERRARI, 1	32,554,969		32,554,969		32,554,969	
GIARDINI TAORMINA	HOTEL COMPLEX NAXOS	64,701,989	715,178	2,358,164	63,059,003	63,059,003	
IVREA	VIALE MONTE STELLA 6	558,186	3,916	562,102		435,780	126,322
MILAN	AREA MADONNINA	12,336,824	53,781	12,390,605		5,280,722	7,109,883
	AREA SESTO SAN GIOVANNI	42,326,170		42,326,170		42,326,170	
	P.ZA VELASCA 5	85,371,289	343,324	85,714,613		51,119,680	34,594,933
	V.OLDOFREDI 51	1,072,292		1,072,292		18,970	1,053,322
	VIA PEROTTI, 2	2,594,442	1,497	2,595,939		2,595,939	
	V. TRECCANI DEGLI ALFIERI 16-26	18,390,537		18,390,537		574,664	17,815,873
	VIALE MONZA 139	22,338,854	48,007	22,290,847		22,290,847	
	FABBRICATI LOCALITA' BRUZZANO	887,591	36,750	924,341		924,341	
	VIA MELZI D'ERIL 34	28,364,798		28,364,798		28,364,798	
	VIALE BOEZIO 20	20,883,977	351,919	21,235,896		21,235,896	
	TORRE GALFA - VIA FARA 41	56,214,230	964,794	57,179,024		57,179,024	
	V.MONTI 21	10,346,973	681,741	11,028,714		4,186,667	6,842,047

# Beni immobili di proprietà al 31/12/2010 - Variazioni dell'esercizio

		At December 31, 2010						
		Balance 31/12/2009	Purchases & increases	Sales and disposals	Total	Property used for activities	Property used by third parties	Resident.
MONCALIERI	STR. FERRERO DI CAMBIANO 20	7,302,929		314	7,302,615	6,095,393		1,207,222
	V.POSTIGLIONE-VITTIME VAJONT	5,557,609			5,557,609	4,747,978	809,631	
ORIGGIO	VIALE ITALIA 6	684,853			684,853		684,853	
PIEVE EMANUELE	V.DELLE ROSE 6	7,495,997	93,782		7,589,779		135,577	7,454,202
PRATO	V. SIMINTENDI, 20	5,583,701	3,820		5,587,521		5,587,521	
ROME	V.CARLO EMANUELE I' 7	484,935			484,935		484,935	
	VIA GOVONI 24/43	47,960,165	2,017,825		49,977,990			49,977,990
	CASTELGIUBILEO-V.CAMERATA P./APIR	36,637,458	42,823		36,680,281		8,899,300	27,780,981
S.MARHERITA LIGUR	VIA DOLCINA 18	185,627			185,627		11,713	173,914
SELARGIUS (CA)	V.PERETTI	1,619,734			1,619,734	1,564,929	54,805	
TURIN	C.DANTE 119	3,475,601	124,961		3,600,562		1,067,383	2,533,179
	C.G.GALILEI 12-14	32,877,472	2,539,971		35,417,443		35,417,443	
	C.MATTEOTTI 51/V.S.ANTONIO DA PAC	5,100,731	59,130		5,159,861		2,831,274	2,328,587
	C. V. EMANUELE II 48	23,407,768			23,407,768		23,407,768	
	P.CASTELLO 153/V.GARIBALDI 1	1,667,589			1,667,589		1,667,589	
	PIAZZA GUALA, 143	10,151,449			10,151,449		10,151,449	
	V.ARSENALE 5	10,560,701			10,560,701		10,560,701	
	V.GOBETTI/GRAMSCI/LAGRANGE/SOLE	5,280,612	101,509		5,382,121		1,807,069	3,575,052
	V.GOBETTI/LOVERA/LAGRANGE/SOLER	41,923,885		1,449,751	40,474,134		40,474,134	
	V.GROSSI 29/DA VINCI 21/CELLINI 6	7,022,370	65,542		7,087,912		175,121	6,912,791
TRIESTE	VIA CARDUCCI 29	5,179,842			5,179,842		3,731,951	1,447,891
	VIALE XX SETTEMBRE 89	2,516,379			2,516,379		2,516,379	
VARESE	ALBERGO VIA ALBANI	65,114,450		12,314,450	52,800,000		52,800,000	
VENEZIA	BACINO ORSEOLO, 1754	1,966,727		1,966,727				
VIAREGGIO	V.LE MANIN, 12	5,807,857	478,369		6,286,226		481,279	5,804,947



## Beni immobili di proprietà al 31/12/2010 - Variazioni dell'esercizio

					At December 31, 2010			
		Balance 31/12/2009	Purchases & increases	Sales and disposals	Total	Property used for activities	Property used by third parties	Resident.
CONDOMINIUM		191,274,061	5,898,228	5,145,571	192,026,718	185,139	155,334,784	36,506,795
		1,193,114,524	17,450,956	23,283,201	1,187,282,279	14,975,482	894,739,579	277,567,218
LAND								
CAMOGLI	LANDS AT CAMOGLI	58,420			58,420		58,420	
FLORENCE	VIA S. LEONARDO, 38-40-42	1,374,055			1,374,055		1,374,055	
MILAN	LOCALITA' BRUZZANO	13,918,524			13,918,524		13,918,524	
MODENA	VIA BUONARROTI	20,312			20,312		20,312	
ROME	TOR CARBONE	7,747			7,747		7,747	
S.MARGHERITA LIGULAND IN S. MARGHERITA LIGURE		46,778			46,778		46,778	
MAIORCA	LAND ALCUDIA		10,818		10,818		10,818	
SANREMO	(EX MONTEBIGNONE)	22,159			22,159		22,159	
AGRICULTURAL HOLDINGS								
MONTEPULCIANO (SIFARM AT CERRO		3,227,009			3,227,009		3,227,009	
OTHER PROPERTY RIGHTS								
FLORENCE	PARKING	2,629,553			2,629,553	2,629,553		
PIEVE EMANUELE	VIA DEI PINI LOC. VIQUARTERIO	2,636,756	6,220		2,642,976		2,642,976	
ASSETS IN PROGRESS AND ADVANCES		2,830,183		21,702	2,808,481		2,808,481	
TOTAL		1,219,886,020	17,467,994	23,304,903	1,214,049,111	17,605,035	918,876,858	277,567,218