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# 2011 REPORTS AND FINANCIAL STATEMENTS

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

FONDIARIA-SAI S.P.A. - TURIN HEADQUARTERS – CORSO G. GALILEI, 12 - FLORENCE  
HEADQUARTERS – VIA LORENZO IL MAGNIFICO - SHARE CAPITAL EURO 494,731,136 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/thousand

	2007	%	2008	%	2009	%	2010	%	2011	%
<b>TOTAL PREMIUMS</b>										
MOTOR TPL	2,180,755	42.99	2,087,376	42.29	2,016,246	41.89	2,104,414	41.57	2,140,263	44.20
NON-LIFE DIVISION	1,673,393	32.99	1,711,356	34.67	1,730,271	35.95	1,722,817	34.03	1,655,698	34.20
LIFE	1,218,049	24.01	1,137,058	23.04	1,066,958	22.16	1,235,530	24.40	1,046,053	21.60
<b>TOTAL</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>4,842,014</b>	<b>100.00</b>
<b>CLAIMS PAID</b>										
and related charges	4,269,219		4,822,191		4,103,656		4,220,996		4,181,621	
<b>GROSS TECHNICAL RESERVES</b>										
UNEARNED PREMIUM RESERVE	1,388,467		1,413,408		1,449,319		1,515,070		1,510,920	
CLAIMS RESERVE	4,801,785		4,546,010		4,699,692		4,729,816		5,220,937	
OTHER TECHNICAL RESERVES	25,144		25,898		27,899		29,824		31,435	
LIFE TECHNICAL RESERVES	8,373,535		7,844,746		8,063,754		8,466,081		8,375,088	
<b>TOTAL</b>	<b>14,588,931</b>		<b>13,830,062</b>		<b>14,240,664</b>		<b>14,740,791</b>		<b>15,138,381</b>	
<b>TECHNICAL RESERVES/PREMIUMS</b>	<b>287.63%</b>		<b>280.20%</b>		<b>295.85%</b>		<b>291.16%</b>		<b>312.65%</b>	
<b>SHAREHOLDERS' EQUITY</b>										
SHARE CAPITAL AND RESERVES	2,468,001		2,530,953		2,486,065		2,458,889		2,271,721	
NET PROFIT/(LOSS)	323,071		69,591		40,216		-636,408		-1,020,368	
<b>TOTAL</b>	<b>2,791,072</b>		<b>2,600,544</b>		<b>2,526,282</b>		<b>1,822,481</b>		<b>1,251,353</b>	
<b>INVESTMENTS</b>										
		%		%		%		%		%
PROPERTY	1,073,169	6.36	1,055,869	6.49	1,163,758	7.08	1,157,612	7.20	1,066,510	6.92
SECURITIES AND TIME DEPOSITS	14,892,268	88.26	14,280,915	87.81	14,316,621	87.12	14,087,251	87.67	13,410,674	87.00
LOANS	70,091	0.42	75,398	0.46	39,386	0.24	36,298	0.23	29,314	0.19
DEPOSITS AT REINSURERS	65,592	0.39	64,655	0.40	61,689	0.38	56,826	0.35	51,846	0.34
DEPOSITS AT CREDIT INSTITUTIONS	160,501	0.95	282,059	1.73	333,994	2.03	296,325	1.84	459,671	2.98
CLASS D INVESTMENTS	610,923	3.62	504,601	3.10	517,322	3.15	434,766	2.71	396,568	2.57
<b>TOTAL</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>15,414,583</b>	<b>100.00</b>
<b>EMPLOYEES PARENT COMPANY</b>	<b>2,624</b>		<b>2,668</b>		<b>2,659</b>		<b>2,594</b>		<b>2,564</b>	

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## MAIN EVENTS IN 2011

- **26/01/2011:** The Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A. approved – subject to authorisation by ISVAP – the conferment to the Board of Directors of the Company, in accordance with article 2443 of the Civil Code, of 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 million, 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.
- **27/01/2011:** The Boards of Directors' of Fondiaria-Sai S.p.A. and Milano Assicurazioni S.p.A. accepted the resignation of Fausto Marchionni as Chief Executive Officer of Fondiaria-Sai S.p.A. and Chairman and Chief Executive Officer of Milano Assicurazioni S.p.A.. Mr. Marchionni will remain as a Director of both Companies until the expiry of their respective mandates and will remain as Chairman of Pronto Assistance and Siat, subsidiaries of Fondiaria-SAI S.p.A.. At the same date, the Board of Directors of Fondiaria-SAI S.p.A. also approved the new Group organisational structure which merges departments and responsibilities in order to establish greater efficiency.
- **23/03/2011:** Fondiaria-SAI S.p.A. and Milano Assicurazioni S.p.A. announced on 22/03/2011 that Premafin Finanziaria S.p.A. – Holding di Partecipazioni communicated to them the reaching of an agreement with Unicredit concerning a capital strengthening plan for the Fondiaria SAI Group.
- **30/05/2011:** The Board of Directors of Fondiaria-SAI approved the full subscription to its share in the capital increase of the subsidiary Milano Assicurazioni, following the exercise by the Board of Directors of this latter on May 14, 2011 of the power conferred by the Shareholders' Meeting of April 27, 2011, for a maximum amount of Euro 350 million. It is recalled that Fondiaria-SAI at this date held 62.8% of the share capital of Milano Assicurazioni, consisting of ordinary shares, and had previously committed to subscribe to the share capital increase of this latter so as to maintain, on the completion of the capital increase, a holding of at least 55% of the ordinary share capital.
- **22/06/2011:** CONSOB authorised the publication of the Prospectus concerning the option rights offered respectively to ordinary and savings shareholders and the admission to trading on the Italian Stock Market organised and managed by Borsa Italiana S.p.A. of such Fondiaria- SAI ordinary and savings shares deriving from the capital increase of a maximum Euro 450 million approved by the Board of Directors on 14/5/11 under the power granted by the Extraordinary Shareholders' Meeting of 26/1/2011.
- **23/06/2011:** ISVAP granted the authorisations required by applicable regulations concerning By-Law amendments following the resolutions taken by the Boards of Directors on May 22, 2011 of the two insurance companies in relation to their respective share capital increases.
- **07/07/2011:** The Antitrust Authority ("AA") communicated that the amendments to the Agreement submitted to examination by the Parties comply with the measures contained in provision C8660 adopted by the AA on the merger of Unicredit and Capitalia. This concerns the agreement reached on March 22, 2011 between Premafin Finanziaria S.p.A. - Holding di Partecipazioni and UniCredit S.p.A. and in particular, the shareholder agreement undertaken within the recapitalisation of the group which holds Fondiaria-SAI S.p.A.. Following that stated above, the Parties finalised the Agreement in completion of the Investment Agreement.

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- **15/07/2011:** The shareholder rights offer subscription period concluded for a maximum 242,564,980 newly issued Fondiaria-SAI ordinary shares and a maximum 85,122,444 savings shares, relating to the paid-in divisible share capital increase approved by the Board of Directors' meetings of May 14 and June 22, 2011 in execution of the power delegated by the Extraordinary Shareholders' Meeting of January 26, 2011.
  - **20/07/2011:** At the end of the Offer Period, 518,669 rights options valid for the subscription of 1,037,338 ordinary shares and 537,894 rights options valid for the subscription of 1,075,788 savings shares were therefore left unexercised, respectively equating to 0.428% of the total of the newly issued ordinary shares and 1.264% of the total of the newly issued savings shares offered, for a total value of Euro 2,631,795.00. The above-mentioned rights were all sold on the same day - the first trading day of the offer on the Stock Exchange, through Unicredit Bank AG, Milan Branch, pursuant to Article 2441, third paragraph, of the Civil Code.
  - **21/07/2011:** At the Board of Directors' meeting of Fondiaria-SAI the Chairperson Ms. Jonella Ligresti announced the revocation of all executive powers reserved to her, in addition to those as Chief Executive Officer, conferred separately by the Board most recently on April 24, 2009, although such powers had been exercised only in limited circumstances of necessity and urgency. Following this decision, Ms. Jonella Ligresti, in addition to the position of Chairman, qualifies as a non executive, non independent Director. In addition, during the meeting, the Director Mr. Gioacchino Paolo Ligresti expressed his intention to communicate to the Board of Directors of the subsidiary Immobiliare Lombarda S.p.A. the revocation of the separate exercise of the executive powers attributed to him by the Board of Immobiliare Lombarda, in order to guarantee greater independence in the undertaking of operational decisions in relation to the company by the Group management responsible for the activity of the subsidiary.
  - **27/07/2011:** The share rights offer subscription period concluded with full subscription of all newly issued Fondiaria-SAI ordinary and savings shares concerning the paid-in divisible share capital increase approved by the Board of Directors' meetings of May 14, 2011 and June 22, 2011 in execution of the power delegated by the Extraordinary Shareholders' Meeting of January 26, 2011.
  - **02/08/2011:** The Board of Directors of Fondiaria-SAI appointed the new directors designated by Unicredit, resolving to increase the number of members on the Executive Committee from 7 to 9 and on the Internal Control Committee from 3 to 4.
  - **03/08/2011:** The sale was completed by the subsidiary Immobiliare Milano Assicurazioni S.r.l. to Generali Properties S.p.A. of the entire holding in Citylife S.r.l., comprising 27.20% of the share capital.
  - **06/10/2011:** On the request of CONSOB, Fondiaria-SAI and Milano Assicurazioni reviewed the forecasts for the year 2011, as considered reasonable (based on the available information and the financial market performance) that the 2011 Group net profit would not be met.
  - **23/12/2011:** The Board of Directors of Fondiaria-SAI SpA reviewed the results of the work carried out by the Chief Executive Officer and the General Manager, assisted by the advisor Goldman Sachs, regarding a range of initiatives which may be implemented in the short-term to strengthen the capital base and bring the consolidated solvency margin above the 120% threshold. The Board also examined the preliminary estimates for the current year results. Due to the non-recurring components, principally the strengthening of the Non-Life reserves - and impairments on investments - the consolidated solvency margin dropped below the regulatory minimum of 100% and was estimated, although subject to verification and based on preliminary data elaborated by management, at around 90%.

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The Board of Directors thereafter, having considered the opinion of the advisor Goldman Sachs, mandated the Chairman to call an Extraordinary Shareholders' Meeting of the Company to propose to shareholders a share capital rights issue, for a total maximum amount of Euro 750 million, to be executed by June 30, 2012. For further information on the Extraordinary Shareholders' Meeting, held on March 19, 2012, reference should be made to the section "Significant events after the year-end".

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## NEW INSURANCE PRODUCTS

### Non-Life Division

- During the year, it was necessary to continue the actions focused on improving the average Motor TPL premium, through changes to the Motor TPL tariff, in order to turn around the technical performance of the Class. Within this objective, Fondiaria-SAI focused its attention on specific actions (relating both to the base tariff rate and geographical area), with particular emphasis on the protection of the client.
- In May, it was necessary to implement some modifications to the photovoltaic plant SOLE AMICO global policy and the relative underwriting rules, in order to maintain a competitive and efficient policy.
- In August, the policy DIFESA PIÙ IMPRESA, the new product aimed at artisan businesses (up to 10 employees) or small enterprises (up to 25 employees) was made available. DIFESA PIÙ IMPRESA is a complete insurance package, offering great variability to the specific needs of the business insured, both concerning premium levels and guarantees.
- In August, the restyled RETAIL PIÙ COMMERCIO CLASSIC was launched, the product for retail owners (up to 10 employees) and small businesses (up to 25 employees), updated in accordance with ISVAP obligations (Reg. 35/2010), recalibrating some regulatory and tariff aspects for Fire and Robbery and updating some conditions in line with the new product IMPRESA described above.
- Finally we report the relaunch of the “intelligent motor” policy (a tariff related to the satellite technology together with the “Nuova 1 Global più Assistenza” Motor TPL policy) in October and November, marketed in the press and on the internet, in addition to material published by the sales networks.

### Life Division

- In April, Fondiaria-SAI launched the new product OPEN DINAMICO product in two versions: the first, a Single Premium, to which a Periodic Premium (OPEN DINAMICO PAC) was added in May. OPEN DINAMICO is a multi-class product, which combines a unit-linked component (which can offer high medium-long term returns, based on international equity markets) with revalued products related to separated management (stability and consolidation of annual returns, minimum guaranteed return on contract maturity).

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

### **BOARD OF DIRECTORS**

Salvatore Ligresti

*Honorary Chairman*

Jonella Ligresti\*

*Chairman*

Massimo Pini \*

*Vice Chairman*

Antonio Talarico \*

*Vice Chairman*

Emanuele Erbetta\*

*Chief Executive Officer - General Manager*

Andrea Brogгинi

Roberto Cappelli

Maurizio Comoli

Carlo d'Urso

Ranieri de Marchis\*

Vincenzo La Russa\*

Gioacchino Paolo Ligresti \*

Fausto Marchionni

Valentina Marocco

Enzo Mei

Salvatore Militello\*

Cosimo Rucellai

Salvatore Spiniello

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*

### **INDEPENDENT AUDIT FIRM**

RECONTA ERNST & YOUNG S.P.A.

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

Sandro Quagliotti



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## GENERAL MANAGEMENT

Emanuele Erbetta

Piergiorgio Peluso

## EXECUTIVE RESPONSIBLE

*for the preparation of the corporate accounting documents*

Massimo Dalfelli

*\* Members of the Executive Committee*

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.

The Shareholders' AGM of the Company held on April 28, 2011 appointed Mr. Emanuele Erbetta to the Board of Directors until the conclusion of the mandate for the entire Board and therefore until the approval of the 2011 annual accounts. Mr. Erbetta was appointed by the Board of Directors at the meeting of January 27, 2011 – in replacement of Ms. Lia Lo Vecchio – with the appointment concluding at the above-stated Shareholders' AGM of April 28, 2011.

The Board of Directors of FONDARIA-SAI, meeting after the Shareholders' AGM, appointed Mr. Erbetta as Chief Executive Officer.

Mr. Erbetta continues as General Manager.

The Directors Mr. Francesco Corsi and Mr. Giuseppe Morbidelli announced their resignations through communications dated July 22, 2011. The Director Mr. Sergio Vighianisi announced his resignation with communication dated July 28, 2011.

The Board of Directors on August 2, 2011 appointed in replacement of the resigning directors Mr. Roberto Cappelli, Mr. Ranieri de Marchis and Mr. Salvatore Militello. Mr. Ranieri de Marchis and Mr. Salvatore Militello were also appointed to the Executive Committee.

On December 23, 2011, Ms. Giulia Maria Ligresti resigned from the offices of Vice Chairman, Director and member of the Executive Committee.

In the meeting of July 21, 2011 the Chairman revoked all executive powers assigned, in addition to those of the Chief Executive Officer, conferred separately by the Board on April 24, 2009.

Following such revocation the Chief Executive Officer Mr. Emanuele Erbetta, as latterly approved by the Board of Directors on September 21, 2011, until the expiry of the mandate of the entire Board and therefore until the approval of the 2011 annual accounts, in addition to acting as Legal Representative in accordance with the By-Laws, is the representative of the company pursuant to Article 21 of the Company By-Laws and has 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;
- signing of real estate contracts involving the undertaking of commitments by the company of over Euro 15 million for each contract;
- sale and/or acquisition of investments, enterprises, business units or fixed assets (other than the buildings mentioned above) of over Euro 30 million for each transaction;
- sale and/or acquisition of majority shareholdings;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties;
- signing of any other contract and/or agreement, other than those included in the preceding points, which involves a commitment for the Company of an amount greater than Euro 15 million for each transaction.

The Executive Committee has all the powers not attributed to the Chief Executive Officer, with the exception of those which by law or the company by-laws are the exclusive responsibility of the Board of Directors or those stated below.

However, all deliberations in relation to the provision of non-insurance sureties in favour of third parties remain within the exclusive remit of the Board of Directors, in addition to operations with related parties as identified by the Board of Directors and the matters listed below, excluding in each case, all operations of ordinary administration within the insurance business:

- a) approval of the business plan, budgets and their modifications and/or updates (also at consolidated level);
- b) any acquisition and sale of companies, business units or other fixed assets, including investments, whose value, for each individual operation or for a series of related operations (i.e. functional to the realisation of the same operation), of above Euro 30 million;
- c) any acquisition and sale of buildings whose value, for each individual operation or for a series of related operations (i.e. functional to the realisation of the same operation), of above Euro 15 million;
- d) signing of tender contracts in the real estate sector which result in the commitment of the company of an amount above Euro 15 million for each contract or series of related contracts (functional to the realisation of the same operation);
- e) obtaining of loans above Euro 50 million for each operation;
- f) signing of any other contract and/or agreement (including the provision of guarantees), which involves a commitment for the Company of an amount greater than Euro 35 million for each transaction or within the financial year;
- g) any operation relating to the companies of the Group which result in exceeding the same thresholds as per the preceding points.

It should be noted that, in relation to the operations at letters b), c), d) and e), where the value is not above that indicated, the operations are within the powers of the CEO, while where the value is above, the powers are within those of the Board of Directors.

In relation to the operations at letter f), the powers are devolved as follows:

- where the value is not above Euro 15 million: Chief Executive Officer
- where the value is above Euro 15 million, but not above Euro 35 million: Executive Committee
- where the value is above Euro 35 million: Board of Directors

The above limits are also applied where the operation is completed within a single operation by a number of companies of the Group of the Parent Company, in that for the purposes of these thresholds, the amounts of the individual operations must be considered together.

Taking into account the shareholders' agreement signed between PREMAFIN and UNICREDIT the following matters are the exclusive remit of the Board of Directors:

- (a) proposals to the Shareholders' Meeting (or decisions reserved to the Board of Directors) relating to operations – other than those listed above – which have the effect to dilute the holdings of the shareholders of the Company;
- (b) proposals to the Shareholders' Meeting (or decisions reserved to the Board of Directors) relating to mergers, transformations, spin-offs and liquidations, as well as any other extraordinary operation (including acquisitions, sales and other operations which result in significant modifications to the activities undertaken by the Group) relating to the Company and to the Group, of a value above Euro 150 million for each operation or series of related operations.

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## **2011 Directors' Report**

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To the Shareholders

The year 2011 reports a net loss due to extraordinary items and not related to the current industrial management performance - which confirms a turnaround. This resulted from the unfavourable financial markets, particularly seen in the second part of the year, with a completely unforeseen volatility at the beginning of the year, and the need to strengthen the prior year claim reserves in the Motor TPL Class, on the completion of the refinement of the statistical actuarial models, which also took into account regulatory and legislative amendments during 2011.

A largely changed market environment and great difficulty in obtaining sustainable profitability are also considered and it was necessary to recognise impairments on real estate assets on a prudent basis, due to a general rise in more liquid alternative investment yields, the difficulty in accessing credit by real estate operators and the slowdown in demand.

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

## 2011 FINANCIAL STATEMENTS

In line with the choices made for previous 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 31/12/11.

In the 90<sup>th</sup> year of your Company, a loss of Euro 1,020 million was recorded, compared to a loss of Euro 636 million in 2010.

The financial highlights for the year are shown below:

	2011	2010	Change
Non-Life Technical Result	(428,028)	(263,058)	(164,970)
Life Technical Result	(283,155)	(174,223)	(108,932)
<b>TOTAL</b>	<b>(711,183)</b>	<b>(437,281)</b>	<b>(273,902)</b>
Net financial income Non-Life Division	(556,145)	(225,870)	(330,275)
(deduct quota transferred to technical account)	-	-	-
Quote transferred to the Life technical account	-	-	-
Other income and charges	(109,999)	(114,531)	4,532
<b>RESULT FROM ORDINARY ACTIVITY</b>	<b>(1,377,327)</b>	<b>(777,682)</b>	<b>(599,645)</b>
Extraordinary income and charges	15,205	45,777	(30,572)
<b>LOSS BEFORE TAXES</b>	<b>(1,362,122)</b>	<b>(731,905)</b>	<b>(630,217)</b>
Income taxes for the year	341,754	95,497	246,257
<b>NET LOSS FOR THE YEAR</b>	<b>(1,020,368)</b>	<b>(636,408)</b>	<b>(383,960)</b>
Of which Non-Life	(841,727)	(494,079)	(347,648)
Of which Life	(178,641)	(142,329)	(36,312)

*Pursuant to CONSOB Communication No. DEM/6064293 of July 28, 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.*

As already illustrated in the introduction, the net loss arises principally from extraordinary items, such as the strengthening of the prior year Motor TPL reserves, the poor financial market performance in the second part of the year and the significant impairments on majority shareholdings due to the losses incurred by the subsidiaries, in addition to the effect of the real estate market for operators in the sector.

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The principal factors affecting the result were as follows:

- The Non-Life Division technical account reports a loss of Euro 428 million compared to a loss of Euro 263 million in the previous year. Contributing to this loss in the technical account was the necessity of a significant revaluation of the residual load of the technical reserves in the Motor TPL Class. It should be noted that this type of revaluation is a normal annual occurrence for the whole motor insurance market as related to the trend in average expected claim settlement costs. With reference to the present year, and specifically to Fondiaria-SAI, the strengthening of the residual load of the Motor TPL claims reserves was significant, and largely due to the gradual extension of the use of the non property damage settlement tables also in light of the Cassation Court judgment of June 2011, which adopted as a basis the Milan Court tables. In addition we report the internal review of the settlement control activities with the consequent centralisation at head office of claims of a significant period or significant amounts relating to death or with several counterparties;

In order to understand the final results of the Motor TPL adjustment process in 2011, firstly it is necessary to understand some aspects which, at least in part, contributed in accelerating the strengthening of the technical reserves in 2011:

- ISVAP notices, already received by the Parent Company on September 29 (after inspections in 2011 on the TPL claims cycle); these notices highlighted, with reference to December 31, 2010:
  - o “irregularities and failings deriving from the absence of formalised and adequate control system procedures” in relation to both the management and settlement of claims operations and for the inventory-taking activities;
  - o observations in the calculations of the actuarial models, highlighting irregularities in the statistical projections.

With reference to the estimate of the current generation (or rather 2010) made by the company, ISVAP noted an average cost of accepted claims (or rather the average cost for claims open in the year as resulting from the average of the cost of the claims already settled in the year and those reserved for settlement in future years) in line with the 2009 market data, but lower than that reported by the market in 2010 (data provided by the Institute in its notice, but not available at the time of the valuation).

In order to reply to each issue highlighted in the notices of ISVAP, Fondiaria-SAI set up, with oversight of the Risk Management department, a Task Force focused on each issue, whose responsibility was that of the individual departments. This Task Force implemented a Work Plan on which it regularly monitored and supervised the state of advancement.

- Inventory list made by the Settlement Network. Fondiaria-SAI therefore firstly reviewed the Claims Reserve construction process, focussing particularly on the role of the Settlement Network, required in the final part of the year to closely review the residual technical reserves for each claim recognised. The inventory-taking concluded in November 2011 highlighting an extensive request for strengthening by liquidators of the prior year generation claims reserves (therefore 2010 and before), of Euro 341 million in relation to the impact on the Reserve recorded to the Financial Statements. This requirement was due to:
  - organisational issues related to greater control and attention on the service quality of settlement agents and in particular, the creation of a central Claims Management centre with specific regard for complex claims (since April 2011);

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- adjustment to the recent common line of jurisprudence, which increasingly undertook the adoption and progressive extension of the use of the non property damage settlement tables, originally adopted only by the Milan Court (e.g. Cassation Sentence of June 2011, which effectively extended the application of these Tables throughout Italy).
  - Adjustment of actuarial models. As required by the same settlement process, once the inventory-taking activity is completed by the settlement agents, the revaluation of the Claims Reserves is carried out by the application by the Planning and Control Department of the actuarial models to ensure the valuation of the reserve under the Last Cost Method (therefore taking account of the probability that the claim is not entirely settled in the year, but may be settled also over one or more subsequent years). Given the observations in the ISVAP notice, in the year 2011 it was decided to undertake:
    - the removal of statistical irregularities, with a specific focus on the close and prudent selection of the parameters, utilising historical series considered reliable and repeatable;
    - the updating and validation of the models, in line with the management of claims from 2006 broken down between CARD and NO CARD.

At the conclusion of this phase of the process, the revaluation of the Motor TPL Reserves for previous years (therefore 2010 and prior) was Euro 476 million (with supplementation of Euro 135 million for the last cost criteria, compared to the revaluation proposed by the settlement agents).

- The low level of interest rates and the contained amount of dividends from investments, together with significant impairments, combined to significantly reduce income.  
In fact it is reported that the investment income does not include, as for the previous year, the dividend of the subsidiary Milano Assicurazioni. The net write-downs in the year, including treasury shares, amount to Euro 1,031 million (Euro 586 million in 2010).  
Of these - over Euro 549 million are attributable to subsidiary companies, including Milano Assicurazioni for Euro 233 million. In addition, further impairments were also made on the bond portfolio.
- The Life division reports a decrease in premiums written (-15.33% compared to direct premiums in 2010) which reflects the overall market performance, due to the financial difficulties of households and businesses. The decrease in the result is mainly due to a significant contraction in investment income, following the financial market turbulences and, in particular, the lowering of the prices of Italian debt in addition to, in general, the impact of write downs which, as noted, are not immediately represented in the commitments to policyholders. However the technical margins of the portfolio are adequate, and therefore once the current market uncertainty has passed the sector will be well placed to take advantage of the strong potential of a portfolio principally comprising traditional type products aimed at engendering client loyalty.

More specifically:

- The **Technical Result of the Non-Life Division** reports a loss of Euro 428 million (loss of Euro 263 million in 2010).  
The technical balance reports a significant loss in the General TPL Class. The prior year claims reserves reports a significant deterioration due to the extensive restructuring of the residual load, already discussed in detail in the introduction. This results from the updating of the inventory by the settlement network and the complex refinement of the statistical-actuarial models utilised for the recording of the reserves to the financial statements, in addition to the ISVAP Notices following the inspections undertaken on the “Motor TPL claims” cycle. Against the portfolio restructuring actions, there are still a large number of prior year claims which require a more prudent reservation policy.

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In the Motor TPL class premiums increased by 1.7% on 2010 thanks to the increase in the average premium with the entry into force of the new tariffs and an improvement in the premium base. This is offset by a reduction of the policies in portfolio and therefore the risk exposure. The current management returned a strong result, with a reduction in the number of claims reported (-12.7%), following 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. Also the amount of claims paid reports a significant reduction (-6.7%). There is a strong improvement in the current generation claims/premium.

In relation to the Other Classes it is noted that:

- The Land Vehicle Class, although affected by a significant contraction in premiums (-5.2% on 2010), recorded a technical profit, gross of reinsurance, of Euro 54 million (Euro 21 million in 2010), thanks to the commercial policies undertaken to recover profitability in the sector, which resulted in a significant decrease in claims reported (-10.1%). The premiums decreased due to the general economic climate and the fall in registrations, in addition to the effect of the restructuring actions undertaken by the Motor TPL Class, with consequent drop in the volumes in the class;
  - The loss in the Non Motor Classes follows the continuation of elevated claims charges which, although reduced, particularly affected the TPL, Other property damage and Health Classes. The current generation performance improved on 2010. 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 2012. 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.
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- The implementation of the cost containment policy resulted in the decrease in **management expenses**, which totalled Euro 909 million (-1.1%) accounting for 18.2% of gross premiums (18.8% in 2011). In the Life classes these increased from 5.6% to 6.2% of total expenses, while in the Non-Life classes amounting to 22.2%, in line with 2010.
  - The **technical reserves** amounted to Euro 15,138 million (Euro 14,741 million at 31/12/2010). Of this, Euro 6,763 million related to the Non-Life Division (Euro 6,275 million at 31/12/2010) and Euro 8,375 million to the Life Division (Euro 8,466 million at 31/12/2010).
  - **Investment income**, without considering write-backs/impairments, decreased by approx. 9% on 2010 at Euro 476.9 million thanks to the contribution of net gains on financial instruments of Euro 69.2 million (including gains on the non-current portfolio) following focussed trading activity. On the other hand, ordinary net income increased to Euro 407.7 million compared to Euro 389 million in the previous year. The increase derives from income on bonds and other fixed income securities.
  - The net impact on the income statement of the **valuation of financial instruments**, including shareholdings in subsidiaries, was a charge of Euro 1,030.8 million (charge of Euro 585.5 million in 2010) and including Euro 18.3 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 551.1 million and include the impairments of Milano Assicurazioni for Euro 233.5 million, as well as the write-down in the investment in Popolare Vita for Euro 171.8 million.

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- The balance of **other ordinary items** was a charge of Euro 110.0 million (charge of Euro 114.5 million in 2010), including Euro 21.6 million of amortisation on intangible assets (of this Euro 15.4 million attributable to goodwill) and approx. Euro 41.0 million of interest expense.
  - The net **extraordinary income** amounted to Euro 15.2 million and includes in addition to the above-mentioned write-down of the treasury shares in portfolio, net prior year income of Euro 12.7 million, net gains to be realised on bonds and equities in the non-current segment for Euro 10.7 million and gains on the sale of property for Euro 13.8 million.

Total current and deferred taxes in the year amount to net tax income of Euro 341.8 million (net tax income of Euro 95.4 million in 2009).

This is largely due to the decision to exercise the option, pursuant to Article 23 of Legislative Decree 98/2011 converted, with amendments, into Law No. 111 of July 15, 2011, to recognise for tax purposes the goodwill recorded in the consolidated financial statements – following the acquisition of the controlling shareholdings of Popolare Vita, Liguria Assicurazioni, DDOR Novi Sad and Incontra Assicurazioni – through the payment of an income and regional substitute tax at the rate of 16%.

Against the tax due, amounting to Euro 101.8 million, and fully paid on October 30, 2011, deferred tax assets were recorded in the financial statements totalling Euro 218.4 million related to the deduction in 10 years, from 2013, of the above-mentioned gains. The net positive effect, recorded in the income tax account in 2011, amounts to Euro 116.6 million.

In addition, the Company recorded deferred tax assets related to the deferred deduction, in future years, of costs which significantly impacted the loss for the year such as, for example, the change in the Non-Life Division claims reserves. Similarly, deferred tax assets were recorded on fiscal losses carried forward on the Group consolidation as well as the losses carried forward by some subsidiaries and attributed to the consolidating Fondiaria-SAI.

It is considered that these deferred tax assets are reasonable given the non application of the time limits contained in Article 84 of Presidential Decree 917/1986, and with the projected expected profitability over a prudent time period.

As in the previous year, the increases in impairments has a significant impact, particularly those on investments in Group companies and some listed investments recorded under non-current assets.



## PREMIUMS WRITTEN

Overall, the premiums written amount to Euro 4,842 million, a decrease of 4.36% compared to Euro 5,063 million in 2010.

The direct premiums written amounted to Euro 4,831 million – a decrease of 4.32%.

The total premiums written in 2011, in the various sectors, are summarised in the table below:

(in Euro thousands)	2011	2010	Change %
<b><u>DIRECT PREMIUMS</u></b>			
Motor Division	2,506,904	2,491,534	0.62
Other Non-Life Classes	1,281,804	1,326,549	(3.37)
Total Non-Life Division	3,788,708	3,818,083	(0.77)
Total Life Division	1,042,388	1,231,111	(15.33)
<b>TOTAL DIRECT PREMIUMS</b>	<b>4,831,096</b>	<b>5,049,194</b>	<b>(4.32)</b>
<b><u>INDIRECT PREMIUMS</u></b>	10,918	13,567	(19.53)
<b>TOTAL</b>	<b>4,842,014</b>	<b>5,062,761</b>	<b>(4.36)</b>
of which:			
Non-Life Division	3,795,961	3,827,231	(0.82)
Life Division	1,046,053	1,235,530	(15.34)

## ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2011

### International economic overview

In the second half of 2011, the world economy entered a slowdown, with significant sovereign debt pressures in the Eurozone and considerable uncertainty surrounding the handling of the US government debt, weakening growth forecasts for the advanced economies. Commercial trade, which recovered in the third quarter, slowed sharply in the fourth quarter.

In particular, in the fourth quarter, according to the most recent economic indicators (graph 1), activity in the major advanced economies significantly slowed down.

Based on the most recent OECD estimates, the 2011 average reports world production increasing 3.8%. In 2012 it is expected to slow to 3.4%. The recovery however can be differentiated: in the advanced countries, against stagnancy in Europe, the United States and Japan are expected to expand by 2.0%. China and India - and in particular Brazil - growth will slow.

The world economy is impacted by numerous uncertainties related to the shoring up of the public accounts in the advanced economies. On the one hand, it is not yet easy to quantify the effects of the sovereign debt crisis in Europe: the continued difficulties of European banks in attracting funds may reduce the capacity to inject liquidity into the economy, creating a spiral of a drop in production activity, weakness in the financial sector and sovereign debt risks. On the other hand, in the United States, if a number of fiscal stimulus measures introduced in recent years are not extended in 2012, economic growth in the current year may reduce to 2%.

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

	OCSE			Consensus Economics	
	2011	2012	2013	2011	2012
<b>GDP</b>					
World	3.8	3.4	4.3	-	-
Advanced countries					
Euro Area	1.6	0.2	1.4	1.6	(0.3)
Japan	(0.3)	2.0	1.6	(0.8)	1.9
United Kingdom	0.9	0.5	1.8	0.9	0.5
United States	1.7	2.0	2.5	1.8	2.2
Emerging countries					
Brazil	3.4	3.2	3.9	2.9	3.2
China	9.3	8.5	9.5	9.2	8.4
India <sup>(1)</sup>	7.6	7.5	8.4	7.0	7.3
Russia	4.0	4.1	4.1	4.2	3.5
<b>World trade <sup>(2)</sup></b>	<b>6.7</b>	<b>4.8</b>	<b>7.1</b>	-	-

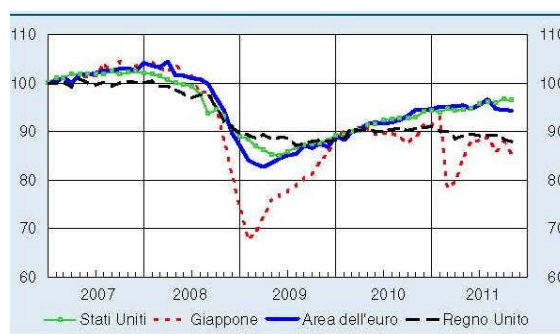
Source: OECD, Economic Outlook No. 90 November 2011.

Consensus Economics, January 2012 for advanced economies, China and India, December 2011 for Brazil and Russia; national statistics.

(1) the figures refer to the fiscal year.

(2) goods and services.

**Graph 1 – Industrial production in principal advanced economies <sup>(1)</sup>**



Source: Thomson Reuters Datastream.

(1) Seasonally adjusted industrial production and adjusted for work days (index: January 2007=100).

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## **USA**

In the United States, in the third quarter GDP grew 1.8% on Q1 2010, supported by a consumer recovery and growth in private gross fixed investments, which offset the negative effect from the reduction of stock levels. Thanks to the improvement of the labour market conditions (with an unemployment rate decreasing to 8.5% in December from over 9% in the summer), in the fourth quarter (based on the currently available data) the GDP growth accelerated to 3% annually.

## **Asia, China and Japan**

In the principal emerging economies, activity slightly contracted, impacted by the restrictive economic policies adopted in the first half year. In the third quarter of 2011, in China and in India GDP growth however remained high (respectively 9.1% and 6.9% on Q3 2010), thanks to sustained internal demand.

In Japan, production activity – after contracting in the first half of 2011 – recovered significantly, increasing by 5.6%, thanks to strengthened consumption and the restart of exports, previously impacted by the interruption of production following the earthquake.

In the emerging countries, the indications concerning the industrial production performance and economic surveys highlight however a fresh slowdown in the fourth quarter, more significantly in India and in Brazil. In China, growth should drop to below 9%, impacted by a further weakening of foreign demand and reduced real estate sector activity.

## **Euro Area**

Following the weakening of the global economic environment and the continuation of sovereign debt market tensions at the end of 2011, the Eurozone economy worsened. Inflationary pressures however lessened.

In the third quarter of 2011, GDP in the Eurozone increased by 0.1% on the previous quarter (0.2% in the spring). The increase in exports (1.2%) continued to provide the principal stimulus, while the increase in household expenditure (approx. 0.2%) only partially offset the sharp contraction in the previous quarter.

In the final quarter, the economic climate worsened, reflecting the slowdown in the world economy and the exacerbation of the sovereign debt crisis. Based on a survey of operators in January by Consensus Economics, Eurozone GDP should slightly decrease in the year (-0.3%).

With the exception of Germany, the labour market is extremely weak also in the rest of the Eurozone, with the unemployment rate in November 2011 standing at 10.3%, a historical high.

## The Italian economy

In relation to the Italian economy, the slowdown of global trade following the heightening of the sovereign debt crisis had an impact, which increased borrowing costs, as did the effect on disposable income from the austerity measures introduced.

Based on the data available and that estimated by the Confindustria Study Centre, Italian industrial production dropped 0.7% in December and 2.9% in the fourth quarter (-1.0% on an annual basis).

In Q3 2011 Italian GDP decreased by 0.2% on the previous period (see Tab. 2), the first contraction since the beginning of 2010.

**Table 2: GDP and principal components**

(quantity at linked prices; seasonally adjusted data and adjusted for work days; percentage change on the previous period)

	2010 Q 4	2010 (1)	Q 1	2011 Q 2	Q 3
GDP	-	1.5	0.1	0.3	(0.2)
Total imports	4.1	12.7	(2.6)	(1.2)	(1.1)
National demand <sup>(2)</sup>	0.4	1.7	(0.7)	(0.3)	(0.9)
National consumption	-	0.6	0.1	0.1	(0.3)
Household spending	0.1	1.0	-	0.1	(0.2)
Other spending <sup>(3)</sup>	(0.4)	(0.5)	0.4	-	(0.6)
Gross capital investments	(0.8)	2.4	(0.5)	0.1	(0.8)
Construction	(0.6)	(4.0)	(0.4)	(1.1)	(1.2)
other investment assets	(0.9)	10.2	(0.6)	1.3	(0.5)
Change in inventories and goods of value <sup>(4)</sup>	0.5	0.7	(0.8)	(0.4)	(0.5)
Total exports	2.7	12.2	0.4	1.0	1.6

Source: Istat and the Bank of Italy (economic bulletin No. 67/2012).

(1) Data not adjusted for the number of work days.

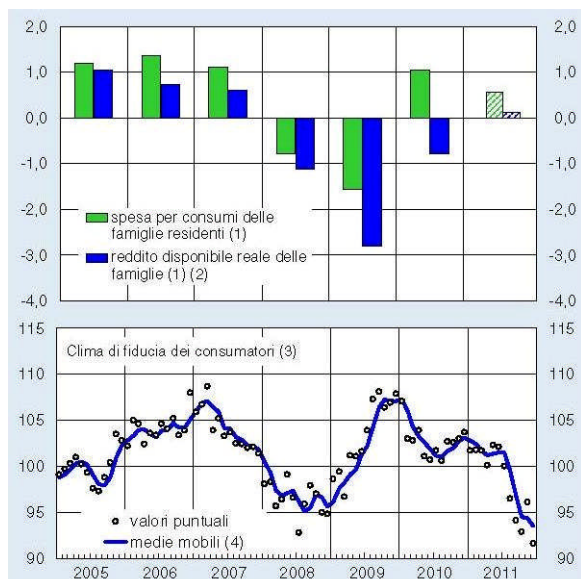
(2) Includes the change in inventories and goods of value.

(3) Public administration and non-profit institutions serving households.

(4) Contributions to GDP growth on the previous period; percentage points.

The Italian labour market situation continued to decline. The unemployment rate reached 8.6% in November (7.9% in August). Unfortunately, the rising unemployment eroded household disposable income, which had already decreased by 0.3% in real terms in the third quarter compared to the previous quarter. Consumers, having already reduced saving rates to historical lows (11.6% in the third quarter), were however forced to further revise future expenditures, with a consequent deterioration of household consumer confidence.

**Graph 2 - Consumption, income and consumer confidence in Italy**  
(percentage changes and index numbers)



Source: elaborations and estimates on Istat and Bank of Italy data (economic bulletin No. 67/2012).

- (1) Quantity at linked prices; percentage change on the previous year. Annual data until 2010; the 2011 data relates to the average percentage change over the 9 months on the same period of 2010.
- (2) Includes household income, producers' income and that of non-profit institutions serving households (NPI); deflated with the household consumption expenditure deflator of resident families and non-profit institutions to serve households.
- (3) Seasonally adjusted monthly data. Index: 2005=100.
- (4) Monthly data; 3-month average at period end.

The outlook remains poor: the weakness of the Italian economy will continue until at least the middle of 2012.

## 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 2011 amounted to Euro 81.9 billion (Euro 94.9 billion in 9M 2010), a decrease of approx. 13% on the same period of 2010.

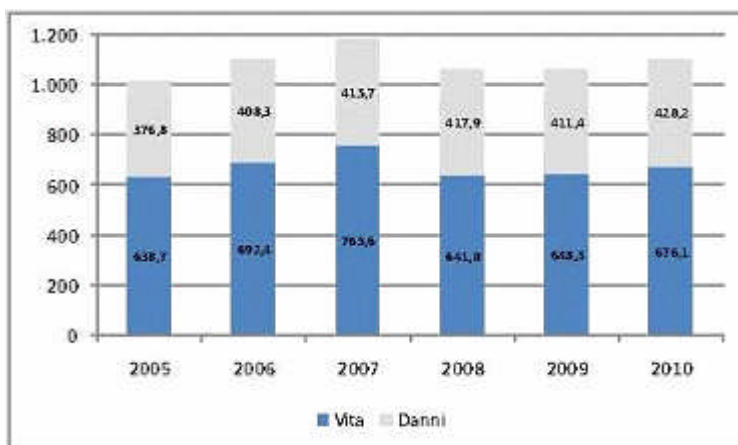
The Non-Life portfolio, which totalled approx. Euro 25.7 billion, grew by approx. 2.8%, accounting for 31.4% of the total portfolio (26.6% in the same period of 2010). Life insurance premiums amounted to approx. Euro 56.2 billion, a decrease of 18.7%, with a percentage of the overall Non-Life and Life portfolio amounting to 68.6% (73.4% in the same period of 2010).

The global economy is taking on three important challenges amid the current economic and political climate - the weakness of economic growth, increased fiscal problems and finally an “accommodating” monetary policy which maintains financial yields at low levels. In relation to this latter a situation of low interest rates reduces investment yields, eroding profitability of Life products which offer income guarantees.

Despite this, in recent years the European insurance sector has substantially weathered the effects of the economic and financial crisis. The latest CEA report (the Federation of European Insurers) concerning the state of health of European insurance companies in 2010, shows that insurers have remained the largest institutional investors in the continent, with an asset portfolio of more than Euro 7,400 billion.

In 2010, premiums written by all sectors of the 33 member countries of the CEA amounted to Euro 1,104 billion, at current exchange rates, in line with the previous year. At like-for-like exchange rates, an increase of 2.5% on 2009 is reported, against an increase of 3% in 2009.

**Graph 3 – total premiums written in 2010 (in Euro billions)**



Source: CEA (European insurance in figures 2011)

Unfortunately however in 2011, which featured stagnation/drop in premiums in the “mature” economies, matters are not expected to improve in 2012, with forecast contractions for the Life Division (in the order of 1%) and growth at less than 2% for the Non-Life Division. In the emerging countries on the other hand, with positive results in 2011, premiums are expected to increase in 2012 by approx. 7% both in the Life and Non-Life Division.

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## **Regulatory framework**

With reference to the principal regulatory norms concerning the Italian insurance market in 2011, the following information is provided.

### **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.

### **New ISVAP Regulations**

In the period four new Regulations were published by the Supervisory Body. In particular Regulation No. 36 of 31/1/2011 implemented significant changes in relation to the governance rules concerning investments and the qualitative requirements for assets covering technical reserves. In particular, that established by Article 8 of the above stated Regulation was implemented through a resolution which forms the basis of the strategic investment policy of the company.

With resolution of May 14 last, the asset management policy which focuses on a prudent approach in order to protect the capital base - fulfilling the commitments undertaken to policyholders – was confirmed. Particular attention was focused on the macroeconomic situation, on the market trends within the various asset classes and the relative impacts on the combined asset-liability management.

Regulation No. 37 of 15/3/2011 enacted the provisions concerning the verification of the adjusted solvency margin introduced by Law No. 10 of 26/02/2011.

Article 4 establishes the possibility, given the exceptional turbulence on the financial markets, to take account in the verification of the adjusted solvency of any higher value recorded in the individual financial statements of the insurance companies, included in the consolidation area, on debt securities issued or guaranteed by European Union states considered as long-term in place of the consolidated financial statement book values.

Regulation No. 38 of June 3, 2011, which applies to Italian companies and their representatives in Italy of companies with registered office in a foreign state, renews existing regulations on the constitution, administration and limits or prohibitions on investment activity of the separated management, covering in the main the provisions of ISVAP Circular No. 71/1987, which was therefore repealed. The most important new issue enacted by the Regulation is the introduction of the principle which obligates companies, in the management of assets, to equal treatment of the policyholders in the sharing of management profits, in order to eliminate disparity between institutional investors and corporate investors and other clients, as long as any disparity is not justified by the need to safeguard the balance between separated management in the interest of all policyholders. Regulation No. 38 also introduces new provisions concerning governance, the accounting of separated management, in addition to issues concerning the disclosure obligations to the Supervisory Board.

Finally, Regulation No. 39 issued on June 9, 2011 governs the principles concerning the remuneration policies of insurance companies in order to ensure the adoption of policies in line with those recently developed internationally on remuneration systems. In relation to close supervision, the new regulations establish that companies draw up and introduce manager remuneration policies (concerning risk taking staff) which ensures a prudent management of the long-term risk and which protects the interests of all stakeholders and market stability.

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### **New consumer credit provisions**

On June 1, 2011, the new consumer credit regulation entered into force (Ministerial Decree of February 3, 2011, published in the Official Gazette No. 29 of 5/2/2011), which promotes “the transparency and efficiency of the consumer credit market, responsible practices in the granting of credit and the assurance of comprehensive consumer protection”, which requires Banks and Credit institutions to meet greater transparency and disclosure obligations concerning the granting of credit in order to protect the consumer and to encourage free competition in the lending market.

Article 5 is of particular interest, which establishes that in accordance with Article 124 of the Banking Act, the Bank of Italy draws up, in compliance with Articles 5 and 6 of EU directive 2008/48, a list of information that the consumer has the right to receive before the conclusion of the loan contract.

In addition, before the conclusion of the loan contract, the lender ensures that the consumer may comprehensively and free of charge receive clarifications which enable an assessment as to whether the contract is suitable to their requirements and their financial situation. The Bank of Italy, through provisions concerning internal organisation and control, governs the manner and type of assistance to be provided, in order to ensure that the clarifications:

- a) responds to all consumer demands concerning pre-contractual documentation supplied to them, the characteristics of the product offered and the possible effects on conclusion of the contract;
- b) may also be received orally or through means of distance communication which enable individual interaction;
- c) are provided by personnel who are fully knowledgeable of and updated on the loan contracts offered, on the rights of the consumer and of the regulations adopted under the present section.

### **Direct compensation**

From January 1, 2012 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 flat-rate system, which has remained unchanged compared to 2011, is as follows:

- **CID single flat rate** (damage to property and damage to the driver), broken down into three territories and by type of vehicle (vehicles other than motorbikes and mopeds);
- **CID single flat rate** (damage to property and damage to the driver), broken down into three territories and by type of motorbike (motorbikes and mopeds);
- a **CTT flat rate**, for passengers in a motor vehicle;
- a **CTT flat rate**, for passengers on a motorbike.

For claims from January 1, 2012, the compensation between companies will be regulated as follows:

#### **1. CID motor vehicles flat-rate:**

- Area 1: € 2,187
- Area 2: € 1,900
- Area 3: € 1,659



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**2. CID motorbikes flat-rate:**

- Area 1: € 4,115
- Area 2: € 3,800
- Area 3: € 3,430

**3. CTT motor vehicles flat-rate:** for damage for an amount equal to or less than the plafond of Euro 5,000 suffered by third parties as passengers in motor vehicles, a flat rate of Euro 3,120 will be applied, with a total exemption of Euro 500. For damage higher than the plafond of Euro 5,000 suffered by third parties transported in motor vehicles, the payment will consist of a flat rate of Euro 3,120 plus the differential between the effective damage and the stated plafond less an exemption of 10%, with a maximum of Euro 20,000, to be calculated on the compensation.

**4. CTT motorbikes flat-rate:** for damage for an amount equal to or less than the plafond of Euro 5,000 suffered by third parties as passengers on motorbikes, a flat rate of Euro 3,730 will be applied, with a total exemption of Euro 500. For damage higher than the plafond of Euro 5,000 suffered by third parties transported in motor vehicles, the payment will consist of a flat rate of Euro 3,730 plus the differential between the effective damage and the stated plafond less an exemption of 10%, with a maximum of Euro 20,000, to be calculated on the compensation.

For the claims in the years prior to 2011, the flat-rates established by the Technical Committee for each of the years in consideration of the relative resolutions is applicable.

New flat-rate regime for direct compensation

From January 1, 2012 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 12/11/09. For greater information reference should be made to the section “Regulatory developments”.

**Policies related to mortgages**

ISVAP published the new regulation of policies related to mortgages. The new regulation introduced with Provision 2946 establishes that insurance brokers, including banks and other financial intermediaries, may not simultaneously undertake the role of policy distributors and beneficiaries.

The provision, which will enter into force on April 2, 2012, in order to permit operators an adequate period of adaptation, was adopted at the end of a public consultation process, which involved, in addition to the market, the principal consumer associations which agreed the terms of reference of the provision.

**Equality in the treatment of tariffs**

By the end of 2012, European insurance companies must apply the principal of equality of treatment between men and women for tariffs and insurance coverage. In fact, the European Court of Justice declared invalid (with effect as of December 21, 2012 and only in relation to new contracts issued) the exception to the EU legislation in relation to parity of treatment which authorises member states to maintain differences in premiums and policies between men and women. Transfer of a portfolio from one insurance company to another will also be excluded.

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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 2011, 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 81.9 billion, with an increase of 13% on the same period of 2010.

The Non-Life portfolio, which totals approx. Euro 25.7 billion, increased by 2.8%, accounting for 31.4% of the total portfolio (26.6% in the same period of 2010).

In particular, the premiums portfolio of the Motor TPL classes and the Maritime TPL classes totalled Euro 13.1 billion (+5.6% on the first nine months of 2010), comprising 51.1% of total Non-Life Division premiums (49.8% in the same period of 2010) and 16% of total premiums (13.2% in the first nine months of 2010).

The largest amount of premiums written in the other Non-Life classes were Land Vehicles with 8.1% (8.6% in 9M 2010), Accident with 7.9% (8.1% in 2010), General TPL with 7.4% (7.7% in 2010), Other Property Damage with 6.8% (same as 2010), Health with 5.6% (5.8% in 2010), and Fire and Natural Elements with 5.5% (5.7% in 2010). The analysis by distribution channel continues to highlight the large proportion of premiums written through brokerage agencies, amounting to approx. 82.3% of the Non-Life portfolio (83.1% in 2010) and 88.4% of the Motor TPL division (89.7% in 2010).

With reference to the domestic motor market, 2011 was again a very difficult year. In Europe, the automobile market totalled approximately 13.6 million units, a decrease of 1.4% on the previous year, with varying performances in the markets: in Germany demand increased by 8.8% on 2010, while in Italy demand decreased by 10.9% to 1.75 million units (the lowest level since 1996). Demand also decreased in Spain (-17.7%) and in Great Britain (-4.4%). In France, demand decreased by 2.1% in the year, but with a reduction of 8.6% in the fourth quarter of the year.

On the other hand, light commercial vehicles increased by 7.6% in 2010, amounting to almost 1.8 million units, with varying performances in the principal markets: growth in Germany and Great Britain, both 15.3%, more moderate growth in France (+3.4%), while reductions were recorded in Italy (-4.7%) and Spain (-10.3%). In the rest of Europe, demand grew 12.6% on 2010.

Greater competition, higher charges for damages, reduced client loyalty and the emergence of new risks are all trends which drive innovation in the insurance sector. Despite the widespread opinion that the insurance industry is not particularly innovative, especially in relation to the launch of new products, innovation in the non-life insurance sector appears vibrant.

In future, the innovation of processes will become important: for example, the development of electronic distribution and marketing channels will become increasingly important. There will also be significant room for product innovation, principally structured on three key aspects: greater client focus, pricing related to the underlying risk, growing integration between the insurance and financial markets.

The segment, which in Italy accounts for 11.4% of GDP and contributes to 16.6% of the national tax take, was affected by the general disincentives in 2011, such as the increase in fuel, VAT, toll roads and the increase in the Provincial Transaction tax.

## PREMIUMS WRITTEN

Premiums written amounted to Euro 3,796 million, a decrease of 0.82% on the previous year.  
Direct premiums written amounted to Euro 3,789 million - a decrease of 0.77%.

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

(in Euro thousands)

				Percentage	
	2011	2010	Cge. %	2011	2010
<b>DIRECT PREMIUMS</b>					
Accident	235,119	238,523	(1.43)	6.19	6.23
Health	154,170	173,791	(11.29)	4.06	4.54
Railway	-	5	(100.00)	-	-
Aviation	1,649	1,125	46.58	0.04	0.03
Maritime	4,350	4,697	(7.39)	0.11	0.12
Merchandise transport	6,499	7,409	(12.28)	0.17	0.19
Fire and other natural elements	244,670	249,403	(1.90)	6.45	6.52
Other property damage	234,424	240,742	(2.62)	6.18	6.29
Aviation TPL	1,881	1,514	24.24	0.05	0.04
Maritime TPL	3,656	3,578	2.18	0.10	0.09
General TPL	309,516	323,257	(4.25)	8.15	8.45
Credit	16	57	(71.93)	-	-
Bonds	40,491	41,608	(2.68)	1.07	1.09
Pecuniary losses	10,866	10,060	8.01	0.29	0.26
Legal expenses	8,672	9,107	(4.78)	0.23	0.24
Assistance	25,825	21,673	19.16	0.68	0.57
<b>TOTAL OTHER NON-LIFE DIVISION</b>	<b>1,281,804</b>	<b>1,326,549</b>	<b>(3.37)</b>	<b>33.77</b>	<b>34.66</b>
Land vehicles	370,340	390,700	(5.21)	9.76	10.21
Motor TPL	2,136,564	2,100,834	1.70	56.28	54.89
<b>TOTAL MOTOR</b>	<b>2,506,904</b>	<b>2,491,534</b>	<b>0.62</b>	<b>66.04</b>	<b>65.10</b>
<b>TOTAL DIRECT PREMIUMS</b>	<b>3,788,708</b>	<b>3,818,083</b>	<b>(0.77)</b>	<b>99.81</b>	<b>99.76</b>
<b>INDIRECT PREMIUMS</b>	<b>7,253</b>	<b>9,148</b>	<b>(20.71)</b>	<b>0.19</b>	<b>0.24</b>
of which:					
Italian	2,455	2,497	(1.68)	0.06	0.07
Overseas	4,798	6,651	(27.86)	0.13	0.17
<b>TOTAL</b>	<b>3,795,961</b>	<b>3,827,231</b>	<b>(0.82)</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 2,823 million, a decrease of 6.7% compared to 2010.

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		
	2011	2010	Cge. %	2011	2010	Cge. %
Accident	136,477	142,610	(4.30)	49,174	51,413	(4.35)
Health	147,232	145,299	1.33	220,909	202,385	9.15
Railway	2	-	-	-	-	-
Aviation	844	1,221	(30.86)	5	4	25.00
Maritime	2,750	2,926	(6.01)	320	298	7.38
Merchandise transport	2,916	2,643	10.33	839	1,041	(19.40)
Fire and other natural elements	132,329	145,660	(9.15)	35,088	41,523	(15.50)
Other property damage	148,459	162,398	(8.58)	92,247	100,011	(7.76)
Aviation TPL	1,028	1,561	(34.16)	10	8	25.00
Maritime TPL	4,545	3,382	34.38	419	419	-
General TPL	214,923	219,982	(2.30)	56,480	58,654	(3.71)
Credit	701	116	504.58	4	1	300.00
Bonds	18,715	28,184	(33.60)	1,211	1,066	13.60
Pecuniary losses	2,028	2,436	(16.75)	1,372	1,866	(26.47)
Legal expenses	1,177	987	19.30	756	833	(9.24)
Assistance	10,621	10,089	5.27	57,900	56,843	1.86
<b>TOTAL OTHER NON-LIFE DIVISION</b>	<b>824,748</b>	<b>869,494</b>	<b>(5.15)</b>	<b>516,734</b>	<b>516,365</b>	<b>0.07</b>
Motor TPL	1,748,763	1,874,114	(6.69)	404,116	463,001	(12.72)
Land vehicles	249,809	283,156	(11.78)	175,644	195,403	(10.11)
<b>TOTAL MOTOR</b>	<b>1,998,572</b>	<b>2,157,270</b>	<b>(7.36)</b>	<b>579,760</b>	<b>658,404</b>	<b>(11.94)</b>
<b>TOTAL DIRECT PREMIUMS</b>	<b>2,823,320</b>	<b>3,026,764</b>	<b>(6.72)</b>	<b>1,096,494</b>	<b>1,174,769</b>	<b>(6.66)</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 379,002, a decrease of 14% on 2010.

## Settlement Time

The speed of the settlements, net of the claims not accepted, for the principal classes relating to the year 2011 is shown below compared to the previous year:

CLASSES – Current year ( <i>Values expressed in %</i> )	2011	2010
Accident	41.19	41.12
Health	87.74	84.25
Land vehicles	89.64	89.45
Fire and other natural elements	73.80	75.89
Other property damage	75.69	75.88
General TPL	50.80	52.86
Others Classes	75.77	74.21
Motor TPL	75.38	77.16

CLASSES – Previous year ( <i>Values expressed in %</i> )	2011	2010
Accident	61.94	57.70
Health	90.95	85.38
Land vehicles	82.88	87.46
Fire and other natural elements	78.54	78.49
Other property damage	79.83	80.49
General TPL	34.33	36.88
Others Classes	57.39	52.25
Motor TPL	65.73	67.73

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

Motor TPL – CARD OPERATOR Current year ( <i>Values expressed in %</i> )	2011	2010
Motor TPL	79.99	81.83

Previous year (*Values expressed in %*)

Motor TPL	75.71	79.42
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## MANAGEMENT EXPENSES

The direct premiums management expenses, following the cost containment policy implemented during the year, totalled Euro 842.3 million with a total decrease compared to the previous year of 0.76% (in 2010 Euro 848.7 million).

The management expenses are shown in the table below:

(in Euro thousands)	2011	2010	Change %
<b>Direct business</b>			
Commissions and other acquisition expenses	685,005	685,589	(0.09)
Other administration expenses	157,250	163,084	(3.58)
<b>Total management expenses</b>	<b>842,255</b>	<b>848,673</b>	<b>(0.76)</b>

The reduction of 3.6% in the Other Administrative expenses is principally due to lower technical consultancy and administrative costs and commercial and promotional expenses.

Within the Management Expenses, the personal expenses increased by 7.2% (Euro 98.4 million in 2011 and Euro 91.8 million in 2010).

The total cost of personnel, which includes the quota recorded under settlement expenses, amounts to Euro 156.9 million, an increase of 2.9% on the previous year (Euro 152.5 million in 2010).

The increase in personnel costs is principally due to the higher leaving incentive costs.

## 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)	2011	2010	Change
Motor TPL and Mlf	(373,530)	(106,608)	(266,922)
Land vehicles	53,906	21,467	32,439
Other Non-Life Classes	(58,296)	(135,089)	76,793
<b>TOTAL ITALIAN DIRECT PREMIUMS</b>	<b>(377,920)</b>	<b>(220,230)</b>	<b>(157,690)</b>

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

- The **Motor TPL Class** reports a negative performance. Premiums written report a slight improvement due to the increase in the average premium, although offset by a reduction in the number of policies in portfolio. The current year generation was positive, which reports a sharp fall in the claims reported (-12.7%), and claims paid (-6.7%), with a strong improvement in the current generation of claims/premiums due to:

- tariff increases and a reduction in group policies;
- restructuring actions of the portfolio still ongoing;
- drop in claims reported and frequency;
- progressive extension to the whole country of the internal method to combat fraud.

In this context, the average cost of the claims accepted (paid plus reserved) is in line with market values.

However the claims relating to prior years reports a significant deterioration following the important restructuring of the residual load, previously discussed in the introduction.

This results from the updating of the inventory by the settlement network and the complex refinement of the statistical-actuarial models utilised for the recording of the reserves to the financial statements, in addition to the ISVAP Notices following the inspections undertaken on the “Motor TPL claims” cycle.

The actions implemented reduced the overall risk exposure, resulting in an improvement in the frequency, also within a more favourable market environment.

In relation to this, it is reported that, for the purposes of the quantification of the serious injury claims, the Council of State substantially rejected the recent Ministerial Decree draft which attributed a uniform national value to physical injuries between 10 and 100 invalidity points, requesting the government authorities to review the quantifications proposed.

The opinion within ANIA is that it will be difficult to propose a new draft in the short-term and, in any case, the possible economic impact is currently not known.

- The **Land Vehicle Class** reports a significant improvement on 2010 which was already a good performance. The premiums decreased due to the general economic climate and the fall in registrations, in addition to the effect of the restructuring actions undertaken by the Motor TPL Class, with consequent drop in the volumes in the class.
- On the other hand, there is a strong decrease in claims in the class, consequent of more rigorous underwriting criteria, which resulted in a better claims/premium ratio in certain insurance covers.
- In relation to the **Other Non-Life Classes**, mixed performances were again seen due in part to the difficult economic context. 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 particular in the General TPL Class, and specifically in the corporate sector, against a reduction in the premiums following the portfolio restructuring actions, there are still outstanding claims from previous years, which required a more prudent reservation policy. In the retail sector, against a significant improvement in the current claims/premiums ratio, a repricing policy was implemented in order to render the products in portfolio more profitable and reach technical break-even.



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## MOTOR TPL

### Premiums

The increase in the Motor TPL premiums written of 1.7% results from the restructuring actions undertaken to increase the average premium and reduce claims. The growth objective of the average premium focuses both on tariff policies and a reduction in flexibility achieved through increased controls on the agreements and on the discounts provided to clients.

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.

The review process continued of the commercial policies undertaken in relation to agreements and the fleets with particular attention to the recovery of profitability – with all of the principal fleets monitored at least monthly.

The policies adopted resulted in a positive performance in the current management.

The Class reports a particularly good claims performance which, following the discontinuation actions taken on multi-risk contracts, the closure of poorly performing agencies and a more favourable market, reports a drop of 12.7%.

However, the prior generation claims cost remained high, due to the significant proportion of physical injury claims – particularly in certain central-southern regions - and the new compensation tables, originally adopted by the Milan court and quickly rolled out across the major Italian courts.

A new policy was launched in September based on territorial variables, which will favour growth opportunities in particular areas, based on region and size, to establish optimal tariff brackets.

In addition, the updating of the Tariff Regulations were principally addressed at older vehicles, through tariff adjustments and new agreements reserved only for vehicles recorded in the old registers and which were constructed at least 20 years ago.

For all sector tariffs, following the enactment of EU directive V, concerning the adjustment of the maximum coverage from June 11, 2012, two Maximum levels were added of Euro 5 million (in the case of physical injury per claim independent of the number of casualties) and Euro 1 million (in the case of property damage per claim independent of the number of casualties). As the two amounts are accumulated, the maximum exposure per claim is Euro 6 million.

We report however the relaunch of the Intelligent motor policy (a tariff related to the GPS AJ 175 satellite technology together with the “Nuova 1 Global più Assistenza” Motor TPL policy) in October and November, marketed in the press/internet, in addition to material published by the sales networks.

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## Claims

The number of claims reported in the year in which our policyholders were civilly responsible was 404,535, -12.7% compared to 2010. There was a decrease in the number of claims paid to 378,294 (-12%). Overall, there was a decrease in the cost of the current generation which amounted to Euro 1,483 million (-5.5%).

Relating only to the claims managed, the number of claims reported was 379,002, a decrease (-14%) on 2010, while the number of claims paid decreased to 360,785 (-15%).

The average cost of the payments for managed claims decreased by 2.8% for the current generation and but increased by 8.9% for the previous generations, with an overall increase of 6%.

The average costs of the reserve, concerning managed claims, increased both for the current year (3.7%) and for previous years (23.6%).

The claims/premiums ratio, net of the Guarantee Fund for Road Victims, is 68.01% for the current year and 95.64% at global level. The speed of settlement of the claims managed (No Card Claim + Operator Card Claims) was 75.4% for the claims in 2011 and 65.7% for the claims in previous years. The same indicator relating to claims caused was 73.9% for the year and 67.5% for previous years.

The combined ratio was 117.6%.

The significant strengthening of the claims reserve follows the regulatory and judicial developments, with gradual extension of the use of the non-property damage settlement tables also in light of the Cassation Court judgment of June 2011 which adopted as a basis the Milan Court tables. In addition we report the internal restructuring of the settlement control activities with the consequent centralisation at head office of claims of a significant period or significant amounts relating to death or with several counterparties.

The table below shows the situation of the claims still open at December 31, 2011 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	469	0.08
2001	589,850	706	0.12
2002	578,220	1,051	0.18
2003	539,448	1,423	0.26
2004	513,105	1,588	0.31
2005	503,957	2,140	0.42
2006	495,470	3,103	0.63
2007	492,136	4,151	0.84
2008	483,281	8,112	1.68
2009	483,827	14,381	2.97
2010	460,248	22,647	4.92
2011	400,646	91,233	22.77

(\*) 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)

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## Card management from 1/2/2007

Generation	Claims Reported	No. of Claims open	% on reported claims
2007	244,276	894	0.37
2008	305,196	2,769	0.91
2009	362,667	7,131	1.97
2010	338,909	11,008	3.25
2011	285,636	52,280	18.30

## LAND VEHICLES

The premiums amount to Euro 370 million, a decrease of 5.2% on 2010.

The claims reported in 2011 amounted to 175,644, a decrease of 10.1% compared to the previous year.

There was also a decrease in the number of claims paid to 168,208 (-11.2%).

The contraction in claims in the current year offsets the drop in premiums, due largely to the general economic climate, the general weakness in internal demand and the reduction in new vehicle registrations following the ending of government incentives, in addition to the lower contribution of agreements with vehicle manufacturers. The increased underwriting restrictions for some guarantees such as those related to socio-political and natural events are also considered.

The cost of the claims of the current generation amounts to Euro 255.7 million, a decrease of 8.8% compared to 2010.

The speed of settlements, net of the claims eliminated without further process, amounted to 89.64% for the current generation claims (89.45% in 2010) and 82.88% for the claims of previous years (87.46% in 2010).

The claims/premiums ratio for the year was 65.66%, while the global total was 62.84%. The combined ratio was 86.1%.

## OTHER NON-LIFE CLASSES

The Italian direct premiums written amount to Euro 1,278 million – a decrease on 2010 of 3.4%.

There was an increase on 2010 in the number of claims reported (0.07%), while the number of claims paid decreased (-5.2%).

The current generation cost decreased compared to 2010 (-5.3%).

The monitoring of contracts in the Public Bodies sector continued, in particular concerning the monthly verification of the technical performances, with greater attention focused on the health sector, with a close eye focused on performances in addition to the correct execution of contracts in relation to all of the components, implementing at the same time where necessary reform/discontinuation actions, undertaken together with ongoing interaction with the Claims Department management.

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As part of the profitability recovery initiatives within the Retail General Class products, the campaigns concerning the Professional/Buildings products were stepped up in the third quarter of the year. The tariffs of the Hotels, Agricultural and Health (family segment) Classes were therefore reviewed. The new accident products have been particularly welcomed, which enable the development of new policies with profitable risk profiles.

The most significant product launches in the RETAIL tariffs in 2011 are as follows:

- **Retail Più Impresa Classic, a new product** for small businesses up to 25 employees; a complete insurance package capable of offering great variability to the specific needs of the businesses insured concerning both premiums levels and options. These products are supported by clarity in the language of the insurance cover offered and an innovative platform of the options and pricing.  
Simplification and amalgamation of the Retail products replacing the products Industrial 2000 (10232), SaiArtigianato (1987-1989) Fire (1945), Theft and Robbery (1946), Electronics (1904) and General TPL (1947).  
This is based on 8 guarantee options: 1. Fire and other property damage, 2. Theft and Robbery, 3. Electronics and Electrics, 4. Glass and Signs, 5. General TPL, 6. Goods in transit, 7. Legal Protection, 8. Assistance.  
New pricing with updated and rationalised risk categories, underwriting limits and increased maximum TPL levels, range of options and additional conditions with automated tariff mutuality, satisfying the commercial segment.
- **Restyling Retail Più Commercio Classic:** new options for the Electronic and Electric accidents and updating of the Theft and Robbery prices.
- **Repricing Partner Professional TPL:** tariff revision on the basis of specific needs of each professional area, with differentiated interval levels according to the individual activity and in order to improve the overall technical balance.

With particular reference to the individual Classes:

## Accident

During the year activity continued in order to comply with the provisions introduced by ISVAP Regulation No. 35, with the completion of the product catalogue, and in the second part of the year, a specific communication was prepared for the networks to govern the underwriting criteria and autonomously manage the products. The procedure for the utilisation of the price list, based on the company intranet, replaces the previous method, which largely utilised printed procedures, thereby guaranteeing control at the source of the technical content, and at the same time, providing the possibility of quick and secure intervention in the case of necessary modifications, while guaranteeing significant savings with the elimination of printed material.

During the year, the underwriting expertise was partially reviewed, in particular with reference to the territorial offices and central head office.

The premiums written reduced compared to the previous year, in particular in the Corporate Class.

The technical performance improved significantly (net C/P 53.4%) due to the lower claims cost in the year and the contribution of the sufficiency, previously negative, also following the abandonment in June in the participation of an agreement delegated from Generali for professional sportspersons.

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For the comments relating to the Large Companies market and Public Bodies, reference should be made to the management data of the “Accident Class”.

Premiums written in the Large Companies sector report an increase (+30.7%) and the claims/premium ratio improved (41%) due to the decrease in claims costs in the year.

Premiums in the Public Body sector increased slightly (+0.7%), largely relating to the reform of the CAI policy, with a Claims/Premiums ratio of 103%, an improvement on the previous year (109%).

The activities related to the fulfilment of the provisions established by the new Legislative Decree No. 136 (E.P. traceability) continued, particularly in consideration of a number of amendments, including interpretations, which made necessary further actions on the process related to compliance with the regulations.

Overall:

The premiums amount to Euro 235.1 million (-1.43% on 2010).

The number of pro-rata claims reported in the year amounted to 49,174 (-4.35% on the previous year); the number of claims paid amounted to 35,092, a decrease (-6.6% compared to 2010).

The decrease on 2010 of the costs of claims of the generation, amounting to Euro 127.5 million (-14%), is highlighted.

The claims/premiums ratio for the year was good (53.40%), as was the overall level (51.19%).

The technical balance of the Division was positive, significantly increasing on 2010.

The Class recorded a combined ratio of 84%, a slight decrease compared with the previous year.

Overall the technical reserves represent 104% of the premiums for the year.

## **Health**

The premiums amounted to Euro 154.2 million, a decrease of 11.3%

The pro-rata claims reported amounted to 220,909, an increase of 9.2%.

The number of claims paid amounted to 202,727, an increase of 13.4% on 2010.

The cost of the current generation of claims amounted to Euro 143.3 million, an increase of 7.4% compared to the previous year.

The technical balance remained negative at Euro 31,686.

The combined ratio for the Class was 119.9%.

## **Fire and other natural events**

During the year activity continued in order to comply with the provisions introduced by ISVAP Regulation No. 35, with the completion of the product catalogue, and in the second part of the year, a specific communication was prepared for the networks to govern the underwriting criteria and autonomously manage the products.

The procedure for the utilisation of the price list, based on the company intranet, replaces the previous method, which largely utilised printed procedures, thereby guaranteeing control at the source of the technical content, and at the same time, providing the possibility of quick and secure intervention in the case of necessary modifications, while guaranteeing significant savings with the elimination of printed material.

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During the year, the underwriting expertise was partially reviewed, in particular with reference to the territorial offices and central head office.

Premiums written are substantially unchanged compared to the previous year (although a decrease in the Corporate sector), with positive technical performance (net C/P 56.5%), especially for the positive contribution of prior year claims.

The level of catastrophic claims was significantly higher compared to the previous year (+16%).

For the comments relating to the Large Companies market and Public Bodies, reference should be made to the data of the “Fire Class”.

Premiums written in the Large Business sector report a decrease, with a net claims/premiums ratio deteriorating, but still positive and amounting to 63.1%.

Premiums in the Public Entity sector decreased: the performance deteriorated in consideration of some catastrophic claims, in particular related to the flooding in Liguria in the final part of the year and a significant claim relating to the Genoa University.

The activities related to the fulfilment of the provisions established by the new Legislative Decree No. 136 (E.P. traceability) continued, particularly in consideration of a number of amendments, including interpretations, which made necessary further actions on the process related to compliance with the regulations.

Overall:

The premiums amounted to Euro 244.7 million, a decrease on 2010 (-1.9%).

The pro-rata claims reported were 35,088, a decrease of 15.5%.

The number of claims paid of 28,855 decreased by 16.2%.

The technical balance of the Class for the year was positive.

The combined ratio for 2011 was 92%.

The technical reserves of the class represent 160.1% of the premiums for the year.

## **Maritime and transported goods**

In 2011, premiums contracted 12.3% on the previous year largely due to the stagnant economy, which saw a downsizing in commercial and industrial activity and in some cases termination of the business activity insured.

As noted, the premiums in the Goods in Transit largely run parallel to the movement of goods purchased or sold and business turnover: the slowdown in these two variable elements caused the reduction illustrated above.

The technical performance however remained positive with a claims/premiums ratio 31.21% on the claims in the year and 28.84% on the claims in the period: the result is due to a traditionally very selective and prudent underwriting policy and the drop in the level of theft and robbery of goods transported (factor already noted in 2010 and consolidated in 2011).

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In 2011, the analysis for the computerisation of two new goods products was completed and which will see the training activity of the commercial networks during 2012.

In the Hulls sector (principally comprising the pleasure boat sector) premiums decreased by 7.4% due to two factors: the crisis in the pleasure boat sector (which is likely to continue into 2012) and the extremely rigorous and selective underwriting policy. The subscription of new risks is reserved for clients which have enjoyed a relationship with the company over a number of years resulting in a consolidated portfolio of those with the company for more than one year.

The 2011 result improved strongly on 2010 (which included a particularly serious fire and anomalies in the claims frequency).

The technical balance reports a profit compared to a loss recorded in 2010: the claims/premiums ratio for the year is 40%. The overall results benefit also from a significant reversal of prior year claims.

## **Other property damage**

With particular reference to the Theft Class component, during the year activity continued in order to comply with the provisions introduced by ISVAP Regulation No. 35, with the completion of the product catalogue, and in the second part of the year, a specific circular was prepared for the networks to govern the underwriting criteria and autonomously manage the products.

The procedure for the utilisation of the price list, based on the company intranet, replaces the previous method, which largely utilised printed procedures, thereby guaranteeing control at the source of the technical content, and at the same time, providing the possibility of quick and secure intervention in the case of necessary modifications, while guaranteeing significant savings with the elimination of printed material.

During the year, the underwriting expertise was partially reviewed, in particular with reference to the territorial offices and central head office.

Premiums written decreased slightly on the previous year, however the performance improved (net C/P ratio 68.6%) due to the reduction in current claims and reversals of prior year claims.

In the Theft segment, premiums in the Large Business sector decreased slightly, but maintaining a positive performance (net C/P 7.3%), although on modest volumes.

The premiums in the Public Bodies sector are substantially unchanged on the previous year, with a positive performance (net C/P of 53.8%).

The activities related to the fulfilment of the provisions established by the new Legislative Decree No. 136 (E.P. traceability) continued, particularly in consideration of a number of amendments, including interpretations, which made necessary further actions on the process related to compliance with the regulations.

In the final part of the year a new centralised department was set up dedicated to the underwriting of bank risks, with the most significant component comprising the BBB coverage (Banker's Blanket Bond).

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The Hailstorms segment reported a decrease in premiums of 24% principally due to the agency restructuring undertaken which impacted upon the branches operating in the segment. The result was positive, but was affected by the widespread and consistent hailstorms during the year and the altered territorial distribution of the risks consequent of the above-mentioned reorganisation. This result was down on the previous year (40%) and better than the overall market (107%).

## **General TPL**

During the year activity continued in order to comply with the provisions introduced by ISVAP Regulation No. 35, with the completion of the product catalogue, and in the second part of the year, a specific communication was prepared for the networks to govern the underwriting criteria and autonomously manage the products.

The procedure for the utilisation of the price list, based on the company intranet, replaces the previous method, which largely utilised printed procedures, thereby guaranteeing control at the source of the technical content, and at the same time, providing the possibility of quick and secure intervention in the case of necessary modifications, while guaranteeing significant savings with the elimination of printed material.

During the year, the underwriting expertise was partially reviewed, in particular with reference to the territorial offices and central head office.

Premiums written reduced compared to the previous year, completely attributable to the Corporate segment in consideration of the various actions implemented to restructure the sector, with the technical performance in the year (net C/P 98.5%) deteriorating slightly compared to the previous year, due to the difficulties from prior year claims, despite a reduction in claim costs in the year, although in the presence of a significant late claim relating to the General TPL guarantee for the coverage relating to the policy signed by Teksid.

The catastrophic claims were stable compared to 2010.

Specific reform action was undertaken in 2 of the most important sectors, specifically “Private Health” and “Business Property” with the objective to reform/cancel the most serious positions.

Premiums in the Large Business sector increased (56.8%) and the net C/P ratio was negative at 122%, although comprising only modest volumes.

Premiums in the Public Bodies sector report a significant decrease of over 24%, with simultaneous reduction in the PTF contracts. The performance remains negative, even with a particularly significant contribution from the change in the claims reserve.

The “Public Health” sector is particularly highlighted.

After the choice in recent years to abstain from evaluating new insurance cover, exclusively providing for measures which favoured margin recovery for the small amount of PTF risks remaining, also implementing radical reform procedures, the choice to exit the segment was considered inevitable, which is in the completion phase for the final positions.

Premiums in this sector therefore reports a reduction of 55%, with a corresponding reduction in claim cost of 25%, and a significant revaluation of the prior year claims.



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The monitoring activity is now standardised for contracts in this sector, in order to keep them under strict observation, in addition to the technical performance, 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, also with frequent recourse to the Claims Management, and undertaking specific action to be implemented over time.

At the beginning of 2011, a new department was created related to the problem connected to the recovery of the minimum thresholds from the public bodies sector, implementing a series of actions to provide greater control and resulting already in the current year in a significant financial return in order to balance the technical performances.

The activities related to the fulfilment of the provisions established by the new Legislative Decree No. 136 (E.P. traceability) continued, particularly in consideration of a number of amendments, including interpretations, which made necessary further actions on the process related to compliance with the regulations.

Overall:

The premiums amounted to Euro 309.52 million (-4.25%).

The pro-rata reported 56,480 claims (-3.7%).

The number of claims paid amounted to 36,256, a decrease of 5.5% compared to 2010.

The cost of the claims of the current generation amounted to Euro 302 million, a decrease of -9.7%.

The claims/premiums ratio for the year was 98.5%, while the global was 108.1%.

The combined ratio for 2011 was 141.6%.

Overall, the ratio between the technical reserves and the premiums was 488.4%.

## **Bonds**

The economic climate, as was the case in the previous two years, also impacted the operations in providing sureties to clients.

Within an economic climate further impacted by the Euro crisis and the debt of the sovereign countries, in addition to a continuous weakening in the capacity of the banks to provide credit to companies (who report a tightening of liquidity), the Company considered it necessary, although within an already strict traditional policy concerning the underwriting of the Bond risk, the adoption of even greater prudence in the selection of type of risk, in addition in a more extensive consideration of the financial/equity situation of the companies.

Considering that stated above, together with the continued stagnation of the Public Works sector in Italy, the principal driver of the Class, contracts overall decreased in the year (-4,526 units) compared to 2010, resulting in a contraction in premiums written (of approx. -2.7%) although mitigated by the continued policy to increase rates which the Division has pursued in 2011.

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In relation to the profitability, which remains the prime objective, there was an improvement in the C/P ratio for the year at 53.8%, with a significant contribution from the decrease in the “serious” claims (-36%), while the claims frequency reported a modest increase (+15.1%). Due to the significant recovery in the insurance coverage hit by claims in the previous years, the C/P ratio improved significantly to 10.53%.

The technical balance was Euro 20,860 thousand, with an improvement of 44.1% on the previous year.

For the year 2012, in the ongoing research of more efficient risk analysis instruments and monitoring of those risks, the Cerved Decision System was launched, which produced positive results in the experimental phase begun in the second part of 2011. In addition, through a company providing risk analysis support services, the use of a “monitoring service” was launched for certain types of risks and large guarantees/coverage.

There was a decrease in the amount paid of 1.1%, while claims reported increased by 13.6%. There was a decrease of 12.8% on the previous year in relation to the current generation costs which amounted to Euro 23.7 million.

The combined ratio for the class was 45.8%.

The ratio between the technical reserves and the premiums was 331.5%.

The year recorded a positive technical balance.

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## NON-LIFE REINSURANCE

### Outward Reinsurance 2011

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 have 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 130,492 thousand, compared to Euro 132,883 thousand in the previous year.

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

A commutation operation was undertaken at the end of 2011 which provides for the closure of the Motor TPL XL agreement between Fondiaria-SAI and the subsidiary The Lawrence Re. The transaction totalled claims reserves of approx. Euro 73 million at market conditions based on 95% of the value of these reserves, resulting in a charge expensed in the income statement of Euro 3.6 million, against cash receipts totalling Euro 69 million.

## **Inward Reinsurance 2011**

At 31/12/11, this includes all the optional business and the acceptances by the insurance companies of the Group and at 31/12/10 for all the other types of agreements. A loss was reported (Euro 12,205 thousand). The only inward reinsurance portfolio of the group in pure run-off recorded a loss (Euro 12,224 thousand), while the inward reinsurance portfolio of the group companies recorded a marginal profit (Euro 19 thousand).

The premiums accepted in the period amounted to Euro 7,253 thousand, a decrease compared to the previous year.

## **NON-LIFE INSURANCE LITIGATION**

The cases (Motor and Non Motor) closed in 2011 amounted to 24,265, an increase of 5.56% compared to 2010. 83.66% are within the Motor TPL division (85.38% in 2010).

There was a decrease of 6.99% in the amount of the legal expenses paid, equal to Euro 65,390 thousand (Euro 70,303 thousand in 2010).

The claims in litigation at 31/12/2011 were 51,193 cases (-0.11% compared to the previous year).

The Motor TPL civil cases pending at 31/12/2011 totalled 37,318 compared to 38,617 at 31/12/2010, a decrease of 3.36%.

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## **Life and Pension Funds**

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## THE LIFE INSURANCE MARKET

In 2011, total premiums in the Life Division increased by 18.7% (Euro 56.2 billion), accounting for 68.6% of the entire Non-Life and Life portfolio (73.4% in 2010).

In particular, Class I (Insurance on human life) with Euro 42.7 billion recorded a decrease of 17.8% on the same period of 2010; Class III (Insurance principally related to mutual funds or Internal Funds or indices or other benchmark values) with approx. Euro 9.8 billion fell by 18.2% on the first nine months of 2010, and Class V (Securitisation operations) decreased 34.7% (Euro 2.5 billion). These Classes account respectively for 75.9%, 17.5% and 4.4% of Life premiums (respectively 75.1%, 17.4% and 5.5% in the same period of 2010). In relation to the remaining Classes, the premiums of Class VI (pension funds with approx. Euro 1.1 billion) accounts for 2% of Life premiums (same as the first nine months of 2010).

Premiums written through bank and postal branches accounted for 57.9% of the Life portfolio (63.1% in 2010). These were followed by the financial promoters (17.7% compared to 15.3% in the first nine months of 2010), mandated agents (13.9% compared to 13% in the first nine months of 2010), in-house agents (9.2% compared to 7.2% in the first nine months of 2010), brokers (1% compared to 0.9% in the first nine months of 2010) and the other forms of direct sales (0.3% compared to 0.5% in the same period in 2010).

In December, the data of ANIA in relation to new Life business highlighted that the financial promoter channel sold a total of Euro 751 million of new policies (20% of the entire new business of the Italian and non-EU companies), a decrease of approx. 9% on the same month of the previous year. The majority of new premiums written during the year derives through the financial networks, such as bank and postal branches and financial promoters.

The bank and postal branches in 2011 accounted for 70% of total volumes, while the financial promoters accounted for 13%, both decreasing on 2010 (respectively 64.2% and 14.2%).

Class I policies contracted 25.2% compared to December 2010 against total premiums of Euro 2.8 billion; including this latter month, in 2011 new premiums written amounted to Euro 41.3 billion, a decrease of 27.4% on 2010. In December, Class V policies amounted to Euro 139.1 million (-67.6% on the same month of 2010), while since the beginning of the year new business amounted to Euro 1.6 billion. New premiums in Class III recorded premiums of Euro 781.7 million, a decrease of 22% on 2010.

## PREMIUMS

Total premiums written amount to Euro 1,046 million, a decrease of 15.34% compared to Euro 1,236 million in 2010.

The direct premiums written amount to Euro 1,042 million, a decrease of 15.33% and broken down as follows:

(in Euro thousands)	2011	2010	Cge %	Percentage 2011	2010
<b><u>DIRECT PREMIUMS</u></b>					
II – Insurance on human life expectancy	754,829	911,572	(17.19)	72.15	73.78
III – Insurance related to investment funds	9,925	8,441	17.58	0.95	0.68
IV - Health insurance	267	232	15.09	0.03	0.02
V – Securitisation operations	249,544	281,742	(11.43)	23.86	22.80
VI – Management operations of pension funds	27,823	29,124	(4.47)	2.66	2.36
<b>TOTAL LIFE DIVISION</b>	<b>1,042,388</b>	<b>1,231,111</b>	<b>(15.33)</b>	<b>99.65</b>	<b>99.64</b>
<b><u>INDIRECT PREMIUMS</u></b>					
	3,665	4,419	(17.06)	0.35	0.36
of which:					
Italian	3,580	4,330	(17.32)	0.34	0.35
Overseas	85	89	(4.49)	0.01	0.01
<b>TOTAL</b>	<b>1,046,053</b>	<b>1,235,530</b>	<b>(15.34)</b>	<b>100.00</b>	<b>100.00</b>

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

(in Euro thousands)	2011	2010	Cge %	Percentage 2011	2010
Individual	619,017	763,740	(18.95)	59.38	62.04
Collective	395,548	438,247	(9.74)	37.95	35.60
Open Pension funds	27,823	29,124	(4.47)	2.67	2.37
<b>TOTAL</b>	<b>1,042,388</b>	<b>1,231,111</b>	<b>(15.33)</b>	<b>100.00</b>	<b>100.00</b>

Also in 2011, 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.

In the traditional channel, new premiums written decreased in particular in the single premiums, while there was an increase in periodic premiums.

The technical margins of the portfolio are adequate, and therefore once the current market uncertainty has passed the sector will be well placed to take advantage of the strong potential of a portfolio principally comprising traditional type products aimed at engendering client loyalty.

## AMOUNTS PAID AND RELATIVE CHARGES

The settlements of direct business amounted to Euro 1,278.3 million including the change in the reserves for sums to pay.

During the year, capital on maturity and annuity payments were made of Euro 541 million.

Compared to the previous year (Euro 1,144.9 million), there was an increase of 11.65%.

### Direct Business

(in Euro thousands)	2011	2010	Change %
<b>CLASS I</b>			
Claims	33,833	30,967	9.3
Capital and annuity matured	405,128	439,477	(7.8)
Redemptions	474,939	294,985	61.0
Total	913,900	765,429	19.4
Change Reserve	2,456	16,710	(85.3)
<b>TOTAL</b>	<b>916,356</b>	<b>782,139</b>	<b>17.2</b>
<b>CLASS III</b>			
Claims	1,087	1,679	(35.2)
Capital and annuity matured	49,664	116,351	(57.3)
Redemptions	13,609	14,591	(6.7)
Total	64,360	132,621	(51.5)
Change Reserve	(11,701)	3,709	(415.5)
<b>TOTAL</b>	<b>52,659</b>	<b>136,330</b>	<b>(61.4)</b>
<b>CLASS IV</b>			
Claims	-	-	-
Capital and annuity matured	55	49	11.5
Redemptions	-	-	-
Total	55	49	11.5
Change Reserve	-	-	-
<b>TOTAL</b>	<b>55</b>	<b>49</b>	<b>11.5</b>
<b>CLASS V</b>			
Claims	1,076	522	106.1
Capital and annuity matured	81,497	71,933	13.3
Redemptions	210,599	147,421	42.9
Total	293,171	219,876	33.3
Change Reserve	2,166	(3,842)	-
<b>TOTAL</b>	<b>295,337</b>	<b>216,034</b>	<b>36.7</b>
<b>CLASS VI</b>			
Claims	329	187	75.7
Capital and annuity matured	4,696	3,880	21.0
Redemptions	9,988	5,038	98.2
Total	15,013	9,106	64.9
Change Reserve	(1,140)	1,256	(190.7)
<b>TOTAL</b>	<b>13,874</b>	<b>10,362</b>	<b>33.9</b>
<b>TOTAL LIFE BUSINESS</b>			
Claims	36,326	33,356	8.9
Capital and annuity matured	541,039	631,689	(14.4)
Redemptions	709,134	462,035	53.5
Total	1,286,499	1,127,080	14.1
Change Reserve	(8,219)	17,833	(146.1)
<b>TOTAL</b>	<b>1,278,280</b>	<b>1,144,913</b>	<b>11.6</b>



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## MANAGEMENT EXPENSES

The management expenses of the direct business amount to Euro 64.2 million, a decrease on the previous year (Euro 67.9 million in 2010).

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

(in Euro thousands)	2011	2010	Change %
<b>Direct business</b>			
Commissions and other acquisition expenses	33,037	33,845	(2.39)
Other administration expenses	31,239	34,064	(8.29)
<b>Total management expenses</b>	<b>64,276</b>	<b>67,909</b>	<b>(5.35)</b>

Within the Management Expenses, the personal expenses increased by 12.60% (Euro 20.5 million in 2011 and Euro 18.2 million in 2010).

The increase in personnel costs is principally due to the higher leaving incentive costs.

## TECHNICAL PERFORMANCE

### Individual Insurance

In 2011, the Individual Life premiums written by the distribution network were focused for 97% on the Separated Management products, which were characterised by a guaranteed annual minimum yield in addition to the protection of the investment, although the single and recurring premium minimum yield was reduced to 1.5%, in line with market trends.

More specifically:

- for the single premium forms, although with the continued attention on the important capital maturity segment, new business contracted significantly on the previous year, which was offset by premiums written concerning a collective agreement operational from the end of the previous year for the payment of winnings on a 'Scratch and Win' lottery;
- recurring premiums recorded a significant decrease on the previous year due to the low contribution of volumes from the new product OPEN GOLD, launched in the previous year with satisfactory results, but without the same success in volume terms from the marketing of other products in the same category;
- for the constant annual premium forms, the premiums relating to new contracts report good growth, thanks to the results of OPEN PIÙ.

The agency network responded positively to the launch in the second quarter of the new OPEN DINAMICO product (so-called Multi-risk insurance form), with strong results reported. OPEN DINAMICO is an innovative form of insurance which combines the characteristics of a UNIT product (an internal fund with a significant managed equity content by a highly professional company) and a Revaluable product linked to the FONSAI RE separated management, offered to clients under two profiles - Relax (Unit-based portion of between 40% and 60% of the investment) and Sprint (portion of between 60% and 90%).

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The innovative features are as follows:

- annual minimum return of 2% guaranteed exclusively on maturity of the contract or death of the policyholder for the revaluable component;
- the possibility to redistribute the investment between the two financial components on the direct request of the contracting party;
- the Balanced Management, or rather the service which permits the Client to appoint a professional financial operator for the decisions relating to the best allocation of the investment, or the division of the premium between the Internal Fund and Separated Management.

The DEDICATED policy (Term Life) reports a small decrease in new business in annual premiums and constant capital.

In relation to the complementary pension segment, implemented through the Individual Pension Plans, there was a significant improvement in new business on the previous year.

## **Collective Insurance**

In 2011, the “corporate” segment reported an overall decrease in premiums written compared to the previous year.

The decrease in premiums is due to reduced demand for securitisation products by company treasuries, in particular institutional clients with high cash balances and a strong contraction in the sale of products in the bancassurance sector.

In fact, the traditional collective products, in spite of the difficult economic environment, reported a stable level of premiums compared to the previous year.

Specifically, the pre-existing pension funds reported volumes in line with the previous year, while the open pension funds, set up by the insurance companies, reports a slight contraction on the previous year.

The products connected to the employee leaving indemnity report a small drop due on the one hand to the economic climate and on the other the impact of regulations imposed by the legislature (allocation of employee leaving indemnity to compulsory pension forms rather than to INPS Fund for businesses with over 50 workers).

The current financial environment, characterised by high government bond yields, together with limited access to credit by businesses, resulted in the contraction in the sale of financial accumulation products for small and medium sized businesses and an increase, concentrated in the final quarter of the year, in redemptions, especially by Institutional Clients.

The “special mixed” insurance products continue a slow but gradual growth in sales.

The risk coverage segment reports a small increase in premiums; however these results do not fully reflect the potential within this market.

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## **LIFE REINSURANCE**

### **Outward Reinsurance 2011**

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 coverage.

The premiums ceded in the period amounted to Euro 15,257 thousand, an increase compared to Euro 13,906 thousand in the previous year. The result reflects the type of the class and is in line with the previous year.

### **Inward Reinsurance 2011**

The year 2011 includes the business accepted from companies of the Group and in 2010 for those accepted outside of the Group. The premium volumes amounted to Euro 3,665 thousand, a slight decrease compared to Euro 4,419 thousand in 2010. Some agreements terminated 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, 2011, the volume of investments amounted to Euro 14,559 million compared to Euro 15,339 million in the previous year, a decrease of 5.1%. The decrease was impacted by the write downs on the financial instruments portfolio which amounted to approx. Euro 1,018 million, in addition to property write downs and depreciation of Euro 51 million.

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

(in Euro thousands)	31/12/2011	Composition %	31/12/2010	Composition %	Change %
- Property	1,066,510	7.10	1,157,612	7.40	(7.87)
- Bonds and other fixed income securities	8,704,003	57.96	9,010,250	57.65	(3.40)
- Equity Investments	4,082,639	27.18	4,438,516	28.39	(8.02)
- Mutual funds	623,857	4.15	638,398	4.08	(2.28)
- Loans	29,314	0.20	36,298	0.23	(19.24)
- Deposits at Credit Institutions	442	-	626	-	(29.42)
- Deposits with reinsuring companies	51,846	0.35	56,826	0.36	(8.76)
- Other financial investments	174	-	87	-	100.00
<b>Total investments</b>	<b>14,558,786</b>	<b>96.94</b>	<b>15,338,613</b>	<b>98.11</b>	<b>(5.08)</b>
- Cash and cash equivalents (1)	459,230	3.06	295,699	1.89	55.30
<b>TOTAL</b>	<b>15,018,015</b>	<b>100.00</b>	<b>15,634,312</b>	<b>100.00</b>	<b>(3.94)</b>

(1) includes the amounts of class F of assets

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)	31/12/2011	Composition %	31/12/2010	Composition %
- Fixed income securities	220,466	55.6	246,226	56.6
- Shares and units	156,598	39.5	167,717	38.6
- Cash and cash equivalents	15,538	3.9	17,786	4.1
- Other assets/liabilities	3,966	1.0	3,037	0.7
<b>TOTAL</b>	<b>396,568</b>	<b>100.0</b>	<b>434,766</b>	<b>100.0</b>

The increase in class D investments is principally due to the adjustment in value to 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)	2011	2010	Change
Income from shares and quotas	22,687	27,628	(4,941)
Income from land and buildings	49,944	48,465	1,479
Income from other investments	398,881	379,139	19,742
<b>Gross total income</b>	<b>471,512</b>	<b>455,232</b>	<b>16,280</b>
<b>Management charges</b>	<b>63,783</b>	<b>66,254</b>	<b>(2,471)</b>
<b>Total net income</b>	<b>407,729</b>	<b>388,978</b>	<b>18,751</b>
Net income realised on land and buildings	8,326	6,429	1,897
Net income from assets and current investments	58,533	69,117	(10,584)
Net income from other investments	10,659	65,815	(55,156)
<b>Total net realisable income</b>	<b>77,518</b>	<b>141,361</b>	<b>(63,843)</b>
<b>Net write-down/(write-back) in values on:</b>	<b>(1,063,907)</b>	<b>(587,725)</b>	<b>(476,182)</b>
<i>Bonds</i>	(258,186)	(151,656)	(106,530)
<i>Shares and funds</i>	(754,240)	(418,555)	(335,685)
<i>Property</i>	(51,481)	(17,514)	(33,967)
<b>TOTAL</b>	<b>(578,660)</b>	<b>(57,386)</b>	<b>(521,274)</b>

The ordinary income was in line with 2010.

On the other hand, net profits to be realised, attributable to the negative financial climate, reports a significant drop.

The decrease in the account “net income to be realised on current assets” is due to the lower gains realised on fixed income securities for Euro 5.1 million, losses realised on shares hedged by combined options for Euro 4.7 million relating to Generali shares and Euro 3.2 million in relation to Monte dei Paschi di Siena shares.

Further gains were realised on options on equity securities compared to 2010 for Euro 4.8 million.

Impairments were high considering the exposure of the company to government bonds, but in particular the impact from the valuation of subsidiary companies.

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## FINANCIAL MANAGEMENT

### Market performances

2011 also saw, in addition to a slight retreat in global growth (for further details reference should be made to the “Macroeconomic environment” section), also a worsening of the Eurozone sovereign debt crisis.

When it was understood that the first Greece aid plan was not sufficient to isolate the sovereign debt problem, a significant “contagion effect” began to take place also in countries which to that point had remained outside the crisis such as Spain, and in particular, Italy. The most severe phase of the crisis began during July when the contagion effects became more widespread. This resulted in a sharp decline in confidence and market expectations which quickly lowered growth expectations in the industrialised economies. This review led to a further increase in fears concerning the sustainability of the public finances of countries undergoing financing difficulties, feeding the downward spiral of collapsing confidence and lowered expectations.

The European Central Bank (ECB) is actively engaged through monetary policy actions such as, for example, the reintroduction of the Security Market Programme (SMP, or purchasing large volumes on the secondary market of government bonds under greatest stress and, therefore, at a significant increase in the cost of financing of the public debt, in order to assist the restrictive monetary policies at the same time put in place by the Governments of such countries) to assist Spain and Italy. In addition the ECB continued to provide unlimited liquidity to the European banking system through loan operations which, for the first time, were extended to a duration of 36 months, in order to assist the refinancing of the financial system, supporting indirectly government securities and helping to drive the banks to continue to provide credit to the economic system which inevitably has been weakened by the restrictive fiscal policies.

Finally, observing the overall worsening of the economic climate, the Central Banks put on hold attempts in the first part of the year to normalise the monetary policy, putting in place quantitative stimulus programmes. In particular, the ECB in two months reduced the official rate from 1.5% to 1%, in light of the fact that inflationary risks had already been offset.

The Federal Reserve continued to maintain a strongly expansive monetary policy, confirming that the Fed Funds rate (0%-0.25%) would remain in place at least until the middle of 2013, given the reduced productive capacity, high unemployment and expectations for stable inflation levels.

We highlight that on February 24, 2012 the exchange offer on Greek government securities was approved which provides for every Euro 1,000 of nominal value of securities in circulation, the substitution with:

- 20 Greek government securities for a total nominal value of Euro 315 and expiry between 11 and 30 years;
- 2 new securities issued by the European Financial Stability Fund for a total nominal value of Euro 150;
- GDP linked securities issued by Greece with a notional value equal to the new exchanged securities (Euro 315) which will produce additional interest if Greek GDP grows beyond a fixed threshold;

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- short-term Zero Coupon securities issued by the EFSF to hedge the interest matured and not paid on old Greek government issues at the date of the agreement. The plan, which establishes March 8 as the expiry date for the declaration of intent, reports a subscription rate by investors of approx. 95%. Company subscribes for all shares held.

## **Equity sector operations**

At the beginning of 2011, the outlook for the stock market overall was positive: the confidence in the recovery of the US economy, increasing German exports, supporting the European figures and the strong corporate results across all sectors laid the basis for a stable recovery of the stock markets.

This climate of confidence was significantly undermined thereafter: to the issues of uncertainty previously outlined, increasing tensions concerning the stress tests on the European banking sector were added.

The second part of the year, with increasing volatility across the major indices, saw a further worsening of the trend on the major European stock markets, due to the inevitable effects of the slowdown in the economy (or the new recessionary phase for some countries including Italy), caused by the restrictive fiscal policies imposed both by national governments and by the European Union in order to reduce the fiscal deficits and the unsustainable debt levels. The stock market was therefore entirely dominated, also in the last part of the year, by the macroeconomic, political and fiscal variables - external factors, but today capable of significantly impacting the trend as was seen throughout 2011.

Operationally, the extent of the stock market tensions throughout 2011 resulted in a defensive strategy, without increasing the stable exposure of the portfolio which however, where possible, was reduced. Increased stock market volatility permitted short-term trading centred on active trading strategies.

At sector level, extending the defensive approach, which was previously taken in relation to the asset allocation, the more cyclical component of the portfolio was reduced, in favour of a defensive position which was seen in support of the dividend yield satisfying for the separated management.

Considering the continuation of the period of uncertainty, still dominated by fears concerning the Eurozone, in 2012 a defensive strategic approach for the managed portfolios will be maintained.

## **Bond sector operations**

In relation to the financial management in 2011 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 sovereign debt crisis.



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The activity in the Non-Life sector in 2011 saw a large number of tactical and strategic operations on government bonds in the Eurozone: Italy primarily and Germany among the core area countries, in addition to a slight reduction in corporate securities, which resulted in the realisation of gains and a repositioning in the more conservative and anti-cyclical sectors, with lower duration and substantially unchanged profitability.

The significant volatility of the spreads between the core countries and the “peripheral” countries, with increasingly smaller pools of liquidity on the market, with heightened tensions related to the sovereign debt crisis and the presence of the ECB in terms of selective purchases of government bonds with certain expiries, resulted in a significant alteration in the structure of the rate curve. This enabled, although with the difficulty related to extremely illiquid markets, the opportunity to put in place interesting arbitrages.

In the course of the year, at a strategic level, it was decided to further favour investment in Italian government securities, which provide a strong return in terms of profitability, compared to a close monitoring of the economic and financial climate, but the percentage of the Non-Life sector was significantly reduced in favour of German Government Securities, considering the greater liquidity of the German bunds. In relation to the investment in Italian Government Securities, preference was given to the Bot sector, and to the fixed rate expiry with short-term residual life. Therefore, through a prudent mix of exposure to Italy and Germany, significantly increased profitability was achieved, with a substantially unchanged duration for the overall non-life sector.

The Variable Government Rate component was increased, considering the interesting risk/yield ratio and, although affected in terms of liquidity and values, benefited from a significant increase in profitability, due to the increase in the Bot rates to which the majority of the CCT held are indexed.

The Life sector activity 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 market dynamics and the asset allocation choices in the year enabled an increase in the portfolio's profitability, with also a containment in the risk. Therefore, the average duration of the portfolios was reduced, gradually increasing the exposure to money market instruments with much reduced residual life.

The exposure to sovereignty government bonds with high ratings, in particular Germany, was increased. The percentage invested in government bonds issued by the more risky countries (such as Portugal, Ireland, Greece and Spain, the so-called P.I.G.S.) was reduced, in line with the improved situation of the stock markets. The percentage invested in Italian government securities remained more or less in line.

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, with subsequent reinvestment in the less volatile asset classes.

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.

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The Bond sector of the Company represents, at the end of 2011, 76.7% of the total portfolio, with a total duration of 4.43 years.

The Non-Life Division is composed of 43.1% of fixed income bonds, 42.1% at variable rate and a residual 14.8% in money market instruments. The total duration of the Portfolio is 1.89.

The Life Division has an asset allocation based primarily on fixed rates (83.3%) while the variable portion comprises 16.7%.

The total duration of the Portfolio is 5.12.

At strategic level, preference was given to investments in Government Securities in the Eurozone which represent 73.9% of the bond portfolio, investment in corporate securities amounted to 22.9%, while the investment in time deposits and cash amounted to 3.2%.

The corporate securities are, largely, belonging to the “Investment Grade” category.

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## SIGNIFICANT FINANCIAL OPERATIONS

In relation to listed investments:

- GENERALI: sale of 718,756 shares realising a loss of Euro 4,769 thousand.
- MONTE DEI PASCHI DI SIENA: sale of 27,740,109 shares with the realisation of a net loss of Euro 3,261 thousand; share capital subscription for 7,521,750 shares totalling Euro 3,355 thousand.
- MEDIOBANCA: sale of 7,165,329 shares, realising a net gain of Euro 2,140 thousand.
- PRELIOS (ex PIRELLI & C. REAL ESTATE): sale of 16,538,443 shares, realising a gain of Euro 1,667 thousand.

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

- ATAHOTELS: share capital reduction for losses and subsequent recapitalisation for Euro 7,650 thousand, with simultaneous payment to cover the residual 2010 loss for Euro 6,009 thousand, and share capital payment on account of Euro 5,100 thousand.
- AUTO PRESTO & BENE: share capital payment on account of Euro 2 million in order for the financial strengthening and recapitalisation of the subsidiary.
- BANCA SAI: payment to cover 2010 loss for the year of Euro 14,954 thousand.
- BIM VITA: share capital increase of Euro 2 million and payment on account to cover losses of Euro 2.5 million.
- CASA DI CURA VILLA DONATELLO: share capital increase payment on account of Euro 551 thousand and loan for restructuring work on the building owned by Villa Vittoria.
- CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA: share capital increase payment on account of Euro 10 million to meet the capital and financial requirements for the commencement of the project.
- GRUPPO FONDIARIA-SAI SERVIZI: payment to cover the 2010 loss for Euro 4,153 thousand.
- IMMOBILIARE FONDIARIA-SAI: future share capital payment on account totalling Euro 42,666 thousand, of which Euro 39,466 thousand for the financing of the subsidiaries and associated companies and Euro 3.2 million for the repayment of a loan from Efibanca.
- NUOVE INIZIATIVE TOSCANE: payment of share capital increase of Euro 3,342 thousand.
- POPOLARE VITA S.p.A.: conversion into share capital increase of the payment on account made in the previous year, with the assignment of 1,951,002 shares (counter value of Euro 9,755 thousand) and payment on account to cover losses of Euro 53,653 thousand.
- PRONTO ASSISTANCE SERVIZI: payment to cover the 2010 loss for Euro 105 thousand.
- SAI HOLDING ITALIA: share capital payment on account of Euro 55,500 thousand, for the recapitalisation of Popolare Vita in which Sai Holding is a shareholder.
- SISTEMI SANITARI: payment to cover losses in the year for Euro 102 thousand.

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## **Greek sovereign debt crisis**

On July 21, 2011, 30 major international financial institutions announced, through the Institute of International Finance, their full support for a second aid package for Greece.

The offer presented by the IIF concerns four exchange options on previously held Greek sovereign debt through newly issued securities, through rollover on maturing securities or alternatively, through a discounted buyback of securities held.

From the first half-year in the presence of various impairment indicators, the value of the Greek government financial assets with maturity before 2020 was reduced.

Considering the most recent events on the restructuring of the Greek sovereign debt, as previously outlined, it was considered, in the present financial statements, also in view of future expectations, to apply the conditions pursuant to a permanent loss in value pursuant to Article 16, paragraph 3 of Legislative Decree 173/1997 relating to all Greek government bonds in portfolio. In addition, although against a strong drop in transactions, it was prudently decided to consider the relative market and therefore reference was made to the stock exchange prices as indication of the prices on these securities.

Consequently the above-mentioned assets were written down for Euro 16,297 thousand in the current segment and Euro 83,757 thousand in the non-current segment, with a total loss of over Euro 100 million recognised in the income statement.

## FINANCIAL DEBT

At December 31, 2011, the financial debt of Fondiaria-SAI S.p.A. is as follows:

(in Euro millions)	31/12/2011	31/12/2010	Change
Subordinated loan 2003	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	243.1	323.3	(80.2)
<b>Total debt</b>	<b>1,143.1</b>	<b>1,223.3</b>	<b>(80.2)</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 paid on July 14, 2008 by Fondiaria-SAI. 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 in recent years for Euro 900 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 243.1 million, the most significant amounts are reported below:

- Euro 223.1 million refers to the loan granted by the subsidiaries Saifin (Euro 157 million) and Fondiaria Nederland B.V. (Euro 66.1 million);
- Euro 20 million relates to interest bearing loans with the subsidiaries Sim Etoile (Euro 15 million) and Saintinternational (Euro 5 million);

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The change compared to 2010, amounting to Euro 80.2 million, is principally due to the repayment of the senior loan contract concluded on June 24, 2009 with Mediobanca. The repayment of Euro 75 million was made on maturity at January 31, 2011.

The residual decrease of Euro 5.2 million relates to the reimbursement of the interest bearing loans with the subsidiary Sai Holding (Euro 1.2 million) and Fondiaria Nederland B.V. (Euro 4 million) on February 25, 2011 and July 14, 2011 respectively.

## TREASURY SHARES AND SHARES OF HOLDING COMPANIES

At December 31, 2011 and at December 31, 2010, the Parent Company holds, also through subsidiaries, the treasury shares and shares in the parent company Premafin Finanziaria, as shown in the table below:

(in Euro thousands)	31/12/2011		31/12/2010	
	Number	Book value	Number	Book value
<b>Ordinary treasury shares held by:</b>				
Fondiarria-SAI	3,200,000	1,982	3,200,000	20,245
Milano Assicurazioni	9,982,557	6,183	9,982,557	182,262
Sai Holding	1,200,000	743	1,200,000	8,901
<b>Total</b>	<b>14,382,557</b>	<b>8,908</b>	<b>14,382,557</b>	<b>211,408</b>
<b>Shares of the holding company held by:</b>				
Fondiarria-SAI	18,340,027	2,289	18,340,027	14,107
Milano Assicurazioni	9,157,710	1,143	9,157,710	7,044
Saifin – Saifinanziaria	66,588	8	66,588	58
<b>Total</b>	<b>27,564,325</b>	<b>3,440</b>	<b>27,564,325</b>	<b>21,209</b>

### Treasury shares

In 2011, the company did not carry out any share buy-back operations.

Therefore at December 31, 2011, there were 3,200,000 ordinary shares in portfolio equal to 0.872% of the ordinary share capital, while the subsidiary Sai Holding S.p.A. held 1,200,000 ordinary shares equal to 0.327% and the subsidiary Milano Assicurazioni S.p.A. held a further 9,982,557 ordinary shares equal to 2.720%.

The carrying value of treasury shares reduced following the exclusion of the book value of the option rights on shares held by Milano Assicurazioni and Sai Holding after the share capital increase of the Parent Company. In light of the restriction on subsidiaries in subscribing shares in the parent company, these rights were disposed of on the stock market in June.

In addition, following the Board of Directors' resolution of Milano Assicurazioni of December 20, 2011, the 9,982,557 Fondiarria-SAI shares were transferred from the non-current segment to the current segment, taking into account the fact that recognition in the current segment is more in line with the nature and purpose of the resolutions to purchase these shares.

### Shares of the holding company

During 2011 no purchase or sales were undertaken on the ordinary shares of the holding company Premafin Finanziaria S.p.A.

At December 31, 2011, 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 held a further 9,157,710 ordinary shares totalling 2.232% of the share capital.

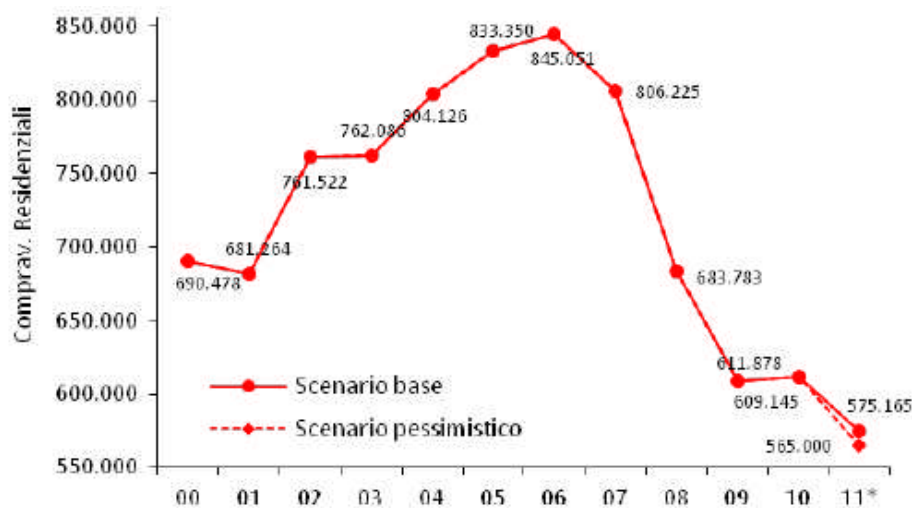
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## REAL ESTATE SECTOR

Within an already severely impacted economic environment, particularly worrying is the growing weakness of households and businesses, due to the prolonged recession within a situation of increased wealth inequality. On the one hand the sharp rise in the cost of mortgages, while on the other the self protection strategy adopted by the credit institutions, have drastically curtailed credit on the real estate market.

The continuation of this imbalance inevitably impacted transaction volumes, with a sharp drop in residential prices.

**Graph 4 – Number of annual residential sales in Italy**



Source: Nomisma elaborations on Internal Ministry and Territorial Agency Data (2011 Real Estate Market Report)

The preliminary data is not optimistic. Sales in the year should come in at approx. 575,000 units, with a drop of over 6 percentage points on 2010. Consequently, the repercussions on prices and on average sales times will continue in all real estate sectors (residential, office and commercial).

Overall average liquidity also deteriorated, based on average sales times and discounts on prices. For example, the average discount realised in the residential sector amounted to 12.5%.

With these initial conditions, it is difficult to predict when a return to sustainable values will take place, from which the real estate market may finally recover, but it is possible to identify some elements which may accelerate the transition, allowing the repressed demand, principally of young couples and replacement demand to access the housing market.

The need to dispose of publicly held real estate portfolios, expected increase in foreclosure procedures by the banks against insolvencies, in addition to the gradual lessening of price rigidity which is affecting the sale of new builds, are the principal factors which could reduce the significant gap between availability and expectation.



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## Operational performance

The real estate activity in 2011 was principally focused on the management and maintenance of existing property. Some property sales, planned in the previous year, were not finalised due to the difficult financial environment. Simultaneously, a complete review and valuation of the real estate stock took place with the support of independent expert valuers, which resulted in the recognition of write downs of approx. Euro 51 million. These write downs refer principally to two hotels at Varese, via Albany and Turin, via Gobetti.

## Real estate operations

During the year, the following real estate sales operations took place:

- In order to concentrate the real estate portfolio of the Fondiaria-SAI Group in wholly-owned assets, Fondiaria-SAI and some Group companies decided to sell a number of vacant properties, located in condominium buildings owned by third parties and throughout Italy. In relation to this operation, during the year Fondiaria-SAI signed contracts for Euro 11.8 million;
- Fondiaria-SAI also sold two residential units in Rome, viale Beethoven, 63 totalling Euro 1.3 million, an industrial building at Castelmaggiore (BO) for Euro 5.2 million and a residential building at Rome, Castel Giubileo for Euro 39.6 million. In relation to the sale of units in the residential building at Milan, via Fiori Chiari, sales totalling Euro 1.9 million were completed.

These sales resulted in net gains realised of approx. Euro 11.7 million.

## 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.

The Judge of the Preliminary Hearing at the Florence Court on March 25, 2011 requested 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 phase. In the case of conviction, the Parent Company could be required to pay a pecuniary fine. The Court did not accept all actions taken against the Company.

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.

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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 asset relating to the Castello Area at 31/12/11, recognised to the financial statements of NIT and amounting to Euro 109.6 million, is below the independent expert's valuation of Praxi S.p.A. of Euro 174.7 million.

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## **Other information**

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## **Execution of the Fondiaria-SAI option based share capital increase**

With the relevant authorisations obtained, on July 15, 2011 the shareholder rights offer subscription period concluded for a maximum 242,564,980 newly issued Fondiaria-SAI ordinary shares and a maximum 85,122,444 savings shares, relating to the paid-in divisible share capital increase approved by the Board of Directors' meetings of May 14 and June 22, 2011 in execution of the power delegated by the Extraordinary Shareholders' Meeting of January 26, 2011.

The Share Capital Increase concluded with the full subscription to the 242,564,980 ordinary shares and the 85,122,444 savings shares offered, for a total value of Euro 448,969,914.00, without recourse to the guarantee consortium. The new share capital of Fondiaria-SAI totals Euro 494,731,136, comprising 367,047,470 ordinary shares and 127,683,666 savings shares of a nominal value of Euro 1.00 each. The declaration required as per Article 2444 of the Civil Code was filed at the Turin Company Registration Office in accordance with law.

For further information in relation to the rights issue, to the subscription commitments undertaken and to the intermediaries and rights options, reference should be made to the section "Share capital Increase" on the website of the Group [www.fondiaria-sai.it](http://www.fondiaria-sai.it) under "Shareholder Office".

## **Execution of the Milano Assicurazioni rights issue**

With the relevant authorisations obtained, on July 15, 2011 the shareholder rights offer subscription period concluded for a maximum 1,284,898,797 newly issued Milano Assicurazioni S.p.A. ordinary shares and a maximum 71,726,389 savings shares, relating to the paid-in divisible share capital increase approved by the Board of Directors' meetings of May 14 and June 22, 2011 in execution of the power delegated by the Extraordinary Shareholders' Meeting of April 27, 2011.

The new share capital of Milano Assicurazioni amounts therefore to Euro 373,682,600.42, comprising 1,842,334,571 ordinary shares and 102,466,271 savings shares, without allocation of a nominal value. The declaration required as per Article 2444 of the Civil Code was filed at the Milan Company Registration Office in accordance with law.

For further information in relation to the rights issue, to the subscription commitments undertaken, to the intermediaries and rights options, reference should be made to the section "Share capital Increase" on the website of the Group [www.fondiaria-sai.it](http://www.fondiaria-sai.it) under "Shareholder Office".

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## STRUCTURE OF THE SALES ORGANISATION

With reference to 2011, the national distribution of the Fondiaria-SAI Agents was as follows:

	<b>Total at 31/12/11</b>	<b>Total at 31/12/10</b>
North	619	637
Centre	302	309
South	315	336
<b>TOTAL</b>	<b>1,236</b>	<b>1,282</b>

The number of Agencies with SAI mandate was 717; the number of Brokers was 1,196.

Specifically, the distribution structure includes 1,236 single-mandate and multi-mandate agencies of the Parent Company (1,282 at December 31, 2010), as well as a further 1,983 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 31/12/2011, the number of employees of the Company was 2,564 (2,594 at 31/12/2010) of which there were: 85 executives, 2,466 white-collar insurance employees and 13 caretakers of the buildings owned, whose employment contract is governed by the national caretakers contract.

### Industrial Relations Policy

In 2011 the most significant trade union issue concerned negotiations at national level of the renewal of the National Collective Agreement for non-managerial personnel which expired on 31/12/2009.

The negotiations, which began in the Autumn of 2010, were based not just on an analysis of requirements drawn up by the trade union platform, but also on the need for a greater flexibility and the containment of costs put forward by the employer's delegation. The negotiations met a number of sticking points, particularly in relation to work hours, call centres, the flexibility of the trade unions and also monetary concerns.

The issues necessitated the convening of the workers' general meetings between the months of February and April and the subsequent declaration for the entire sector of a total of eight hours of strikes. The workplace stoppage by Group employees concerned under 50% of the workforce, slightly lower than the market average.

Following this, the negotiations resumed in May and continued until the middle of July when, as a result of the failure to reach a satisfactory conclusion, the trade unions declared a unilateral interruption to negotiations placing the blame on ANIA and declaring actions for the Autumn. For further details on the renewal of the CCNL agreement for non executive employees, reference should be made to "Significant events after the year-end".

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In the autumn, the officials of ANIA met the national Secretaries of the various trade union organisations to establish the real willingness of the trade unions to step back from the positions taken at the beginning of the summer and therefore identify possible points of agreement to reopen negotiations. However the meetings did not have a positive outcome and the stalemate continued until the end of the year. After the year-end, in the first weeks of 2012, the contacts between the Parties resumed in order to further establish common ground and recent developments seem to indicate a positive outcome towards the conclusion of a renewal.

In the first half of 2011, FIDIA (the Italian Federation of Insurance Company Senior Managers) presented the guidelines for the renewal of the National Collective Agreement which expired on 31/12/2010. The negotiations have not yet begun.

A number of issues resolved may be highlighted, including the establishment of terms and conditions for the creation of a Workplace Security Representative position within the Fondiaria SAI Group and the establishment of contractual guarantees in favour of employees of the company PAS concerning integrated pensions, healthcare and working hours.

We highlight also the conclusion at the beginning of 2011 of an agreement concerning the financing by the Insurance Company and Banks Fund of a training plan for Group employees.

Employee disputes before the courts increased slightly on previous years. At 131/12/11, there were 46 employment cases pending.

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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 expired 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 total cost of the options was already expensed in the 2009 consolidated financial statements in accordance with IFRS 2.

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## ISVAP INSPECTIONS

ISVAP carried out inspections of Fondiaria-SAI concerning principally the activities of the corporate boards, the control activities carried out by the delegated departments (Audit, Risk Management and Compliance), the risk pertaining to membership of the Fondiaria SAI Group particularly concerning intercompany transactions with related parties, in addition to the application of the organisational and management model as per Legislative Decree No. 231/01, as well as procedures governing the principal phases of the Motor TPL claims cycle.

In relation to the governance and control aspects, following the inspections, which commenced on October 4, 2010, ISVAP highlighted particular issues concerning the Group structure, the governance system and the internal control system, the organisation and activities of the corporate boards, the control departments, the transactions with related parties and the liquidity risk.

In relation to the highlighted aspects, ISVAP has requested clarifications and justifications concerning the above stated issues.

The action plan of Fondiaria-SAI concerns the internal organisation and the drawing up of the decision making procedures and the control procedures within the overall corporate organisation. In particular, the identified action areas were subject to examination and approval by the Board of Directors of Fondiaria-SAI in the meetings of July 21 and August 2, 2011, which previously had been subject to discussion in the Board of Directors' meeting of July 6, 2011.

The Parent Company responded with the provision of precise clarifications and adequate justifications to ISVAP concerning the significant issues raised by the Institute. In particular, the Board of Directors approved the adoption of a number of measures concerning the operational procedures of the corporate boards, the holding of the relative meetings, the review of the allocation of duty and senior management and departmental powers concerning the operating segments as well as a review of a number of organisational measures principally relating to the control departments (Audit, Risk Management and Compliance).

In relation to control department, the Board, in the two meetings stated above, resolved:

- in relation to the significant issues highlighted by the Institute concerning the position of the control departments within the organisational structure (Audit, Risk Management and Compliance) department, to modify the structure approved at the meeting of January 27, 2011, placing the Audit, Compliance and Risk Management department under the direct and exclusive control of the Board of Directors. The Chief Executive Officer will approve salaries (excluding all variable components), vacations, expenses and career advancements;
- to make amendments in relation to the control department heads, with the appointment of persons possessing the specific skills required, and more in general, all regulatory requirements to the Audit and Risk Management departments in the persons respectively of Mr. Giorgio Borghino and Mr. Giorgio Bedogni and committing to appoint the new Compliance Department head at a subsequent meeting, ensuring the centralisation of all the control departments at Parent Company level, in order to carry out the respective activities for all of the insurance companies within the Fondiaria-SAI insurance group, in accordance with specific outsourcing contracts individually authorised by ISVAP;



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- to incorporate, with the prior discontinuation of the Compliance Committee and the governance departments previously constituted by the Board, of a new committee involving, in addition to the Audit, Compliance and Risk Management Department heads, also the Board of Statutory Auditors (through its Chairman), the Internal Control Committee (through its lead coordinator), the Supervisory Body as per Legislative Decree No. 231/01 (through its coordinator) and the appointed actuary, in addition to the head of the newly created “Inter-group Activity Unit” (described below), with the possible involvement also of the audit firm, in order to allow all the bodies or departments which have been allocated a specific control function to collaborate together as per ISVAP Regulation No. 20/2008, exchanging all useful information for the completion of their relative duties;
  - to create a specific organisational body called the “Inter-group Activity Unit”, headed by the Chief Executive Officer, in order to, among other issues, evaluate the best method to fulfil the requirements concerning transactions with related parties, clearly establishing the relative duties and appointing Ms. Angela Pasetti as head of the committee.

For the same reasons outlined above in relation to the Audit, Compliance and Risk Management Departments, the new department was also created at Parent Company level and will carry out activities for the companies also belonging to the Group.

The Board in the meeting of August 2, 2011 therefore also approved a new company organisational structure, already announced to the market to take account of the re-allocation to the direct and exclusive control of the Board of Directors of the Audit, Compliance and Risk Management departments and the alterations and/or departmental re-allocations taken to date as part of the Company and Group reorganisation, while considering also the current evaluations concerning the re-distribution of the various departments contributions to the reaching of corporate objectives.

The Board also approved, following disclosure on all of the aspects highlighted by ISVAP, the interest of the Insurance Company in carrying out transactions with related parties subject to inspection by the Institute, reserving to the Board itself the duty to examine and approve in relation to all initiatives not yet concluded all decisions concerning the continuation or otherwise of the initiatives, while in compliance with the procedures for the carrying out of transactions with related parties approved by the Board.

Finally, based on the financial situation of the Company (also taking account of the successful outcome of the share capital increase) and in light of the property operations carried out (CityLife) and/or in progress, the Board considers that the financial commitments related to the initiatives are not critical from a financial viewpoint.

With regard to the aspects relating to the Motor TPL claims cycle, also in view of the observations contained in the Notices of the Supervisory Authority received by the Company on September 29, 2011 (on completion of the inspection undertaken on the Motor TPL claims cycle in 2011) which highlighted, concerning the position at December 31, 2010, anomalies and dysfunctions deriving from the absence of formalised procedures and adequate control systems, with reference to the operating procedures for the management and settlement of claims and the stock of outstanding claims and comments on the calculation of the actuarial models, noting anomalies in the statistical projections, the Company replied to the Notices issued by the Institute and also commenced a complete review and improvement of the whole Motor TPL claims cycle. For further information, reference should be made to the section “PART B – Information on the Balance Sheet and Income Statement”.

The issues arising are not considered currently to lead to possible penalties.

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## MANAGEMENT OF RISKS

### 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. 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.

The quantification of the above-mentioned risks is determined on an ALM basis through the internal model utilising best practice procedures.

The ALM estimate results in an analysis of the shock of the risk variables on both asset and liability accounts in the financial statements.

This aspect is significant for the financial variables and in particular for the interest rate risk. A shock of this size impacts significantly on all interest rate sensitive bond securities and on the value of the Life actuarial reserves and Non-Life claims reserves, due to the discounting of the cash flows.

The financial risks reported below however are reported without taking into account the ALM aspect. The compensating principle defined by this method is principally applicable on a “Total Balance Sheet” basis defined by Solvency II.

The accounting principles marginally permit the adoption of this technique, and for clarity no calculations were made not compatible with the accounting principles for the preparation of the financial statements. In 2011, the credit risk relating to government bonds was significant. This risk is not valued by the standard formula proposed by QIS5, while the internal model estimates the default risk also for the government component, on the basis of the issuer rating. The significant amount of securities issued by the Italian State, the subsequent downgrading, as well as the volatility of the spread compared to risk free securities, significantly impacted on the valuation of this risk, which in the internal model was the greatest risk among market risks. The technical risks are also valued through internal models and the models proposed by the standard QIS5 formula. The most significant component is the underwriting risk in the Non-Life division, in particular the reserve risk and the premium risk.

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The catastrophic risk has a reduced weight taking into account the mitigating effect of the reinsurance agreements. The term life and redemption risks and inflation currently represent a minor technical risk. Particular attention however was placed on the acceleration of the redemption of life policies, which occurred in the final part of the year, particularly in the portfolios sold through the bancassurance channel, where there is greater sensitivity to volatility in the financial markets. Currently, this aspect is monitored on specific scenario analysis; however the modelisation of this event may be premature due to the short period in which there was a significant amount of redemption.

## **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 line with these objectives, limits were defined for all types of financial risks, also considering exposure to risk concentration.

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);
- concentration by issuer/counterparty;
- rating;
- VaR;
- duration gap (Non-Life and Life);
- minimum hedging on the strategic investments;
- liquidity – in terms of 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.

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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 December 31, 2011 is shown below of the equity and bond portfolio calculated at a confidence level of 99.5%.

**Table 3 – Analysis of the Value at Risk of the Non-Life Division at 31/12/11**

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	12.20	13.39	0.01	13.40
Total Derivatives	0.01	N/A	0.00	N/A
Net equity exposure	12.21	7.35	0.01	7.36
Total Securities	33.47	0.76	0.00	0.76
Total non-listed shares	51.77	5.70	0.00	5.70
Total	97.45	4.21	0.00	4.21
Other assets	2.55	0.76	0.00	0.76
Total	100.00	4.12	0.00	4.12

**Table 4 – Analysis of the Value at Risk of the Non-Life Division at 31/12/10**

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 5 – Analysis of the Value at Risk of the Life Division at 31/12/11**

Type	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Total listed shares	4.70	13.09	0.22	13.31
Total Derivatives	(0.01)	N/A	0.00	N/A
Net equity exposure	4.69	12.22	0.22	12.44
Total Securities	80.89	1.36	0.00	1.37
Total non-listed shares	8.68	6.22	0.00	6.22
Total	94.26	2.35	0.01	2.36
Other assets	5.74	1.38	0.00	1.38
Total	100.00	2.30	0.01	2.31

**Table 6 – Analysis of the Value at Risk of the Life Division at 31/12/10**

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

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

*The column "Price/VaR Rate" and "VaR Exchange %" shows the percentage on the market values.*

*The VaR of the derivatives reduces the risks of the equity positions (hedge operations).*

*The account other assets includes structured securities.*

**Table 7 - Analysis of the Risk Capital of the Non-Life Division at 31/12/11**

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	12.20	47.70	0.05	47.75
Total Derivatives	0.01	N/A	0.00	N/A
Net equity exposure	12.21	39.23	0.05	39.28
Total Securities	33.47	3.71	0.00	3.71
Total non-listed shares	51.77	24.66	0.01	24.67
Total	97.45	19.29	0.01	19.30
Other assets	2.55	3.69	0.00	3.69
Total	100.00	18.89	0.01	18.90

**Table 8 - Analysis of the Risk Capital of the Non-Life Division at 31/12/10**

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 9 - Analysis of the Risk Capital of the Life Division at 31/12/11**

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	4.70	47.12	1.01	48.13
Total Derivatives	(0.01)	N/A	0.00	N/A
Net equity exposure	4.69	46.52	1.01	47.53
Total Securities	80.89	6.57	0.01	6.58
Total non-listed shares	8.68	27.20	0.00	27.20
Total	94.26	10.46	0.06	10.52
Other assets	5.74	6.68	0.00	6.68
Total	100.00	10.24	0.06	10.30

**Table 10 - Analysis of the Risk Capital of the Life Division at 31/12/10**

Type	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Total listed shares	5.10	41.10	0.60	41.70
Total Securities	80.82	5.40	0.01	5.41
Total non-listed shares	9.58	20.49	0.00	20.49
Total	95.50	8.82	0.04	8.86
Other assets	4.50	5.38	0.00	5.38
Total	100.00	8.66	0.04	8.71

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

*The columns "Risk Capital Rate/Price" and "Risk Capital Exchange %" show the percentage on the market values.*

*The Risk Capital of the derivatives reduces the risks of the equity positions (hedge operations).*

*The account other assets includes structured securities.*

The increase of the risk of the portfolio compared to December 31, 2010 is due both to the equity component caused by increased market volatility and the bond component resulting from a significant lowering of risk free securities.

In relation to the change in method, the principle proposed by EIOPA (formerly CEIOPS) in the Quantitative Impact Study 5 (QIS5) for the calculation of the equity risk of strategic investments was valued applying the lower volatility coefficients.

### 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 11 – Sensitivity analysis of the bond component**

(in Euro millions)	+ 50 bp		- 50 bp	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
<b>Total</b>	<b>(254)</b>	<b>(248)</b>	<b>271</b>	<b>264</b>
of which Non-Life	(22)	(23)	23	24
of which Life	(233)	(225)	249	240

*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 31/12/11 divided by type of issuer and maturity.

**Table 12 - Analysis of the Non-Life bond component by VaR and Risk Capital maturity**

Type	Composition % (Exact holding)	Duration Macaulay	Sensitivity Rate %	VaR Rate %	Risk Capital Rate %
<b>Government Euro</b>	<b>89.83</b>	<b>2.50</b>	<b>(1.45)</b>	<b>0.70</b>	<b>3.45</b>
<i>Variable rate</i>	<i>45.07</i>	<i>0.71</i>	<i>(0.55)</i>	<i>0.24</i>	<i>1.55</i>
<i>Fixed rate</i>	<i>44.75</i>	<i>4.52</i>	<i>(2.46)</i>	<i>1.17</i>	<i>5.36</i>
0.0< <=1.5	2.01	0.72	(0.67)	0.25	0.00
1.5< <=3.0	4.87	2.45	(1.81)	0.88	3.29
3.0< <=5.5	29.74	3.84	(2.44)	1.06	4.82
5.5< <=7	2.31	5.05	(2.78)	1.59	7.69
>7	5.82	8.98	(3.30)	2.11	10.78
<b>Corporate Euro</b>	<b>9.48</b>	<b>4.58</b>	<b>(2.54)</b>	<b>1.24</b>	<b>5.78</b>
<i>Fixed rate</i>	<i>9.48</i>	<i>4.58</i>	<i>(2.54)</i>	<i>1.24</i>	<i>5.78</i>
0.0< <=1.5	0.14	1.28	(1.09)	0.47	0.86
1.5< <=3.0	0.69	1.64	(1.34)	0.63	1.71
3.0< <=5.5	4.72	3.69	(2.35)	1.20	5.38
5.5< <=7	2.11	5.35	(2.86)	1.48	7.26
>7	1.82	7.97	(3.35)	1.38	7.06
<b>Euro Bond Funds</b>	<b>0.69</b>	<b>3.00</b>	<b>(2.11)</b>	<b>0.93</b>	<b>3.88</b>
<i>Fixed rate</i>	<i>0.69</i>	<i>3.00</i>	<i>(2.11)</i>	<i>0.93</i>	<i>3.88</i>
1.5< <=3.0	0.69	3.00	(2.11)	0.93	3.88
<b>Total Bonds</b>	<b>99.31</b>	<b>2.69</b>	<b>(1.55)</b>	<b>0.75</b>	<b>3.67</b>
<b>Total</b>	<b>100.00</b>	<b>2.70</b>	<b>(1.55)</b>	<b>0.75</b>	<b>3.67</b>

**Table 13 - Analysis of Life Division bond component by VaR and Risk Capital maturity**

Type	Composition % (Exact holding)	Duration Macaulay	Sensitivity Rate %	VaR Rate %	Risk Capital Rate %
<b>Government Euro</b>	<b>76.72</b>	<b>6.66</b>	<b>(2.37)</b>	<b>1.39</b>	<b>6.80</b>
<i>Variable rate</i>	<i>15.24</i>	<i>0.80</i>	<i>(0.60)</i>	<i>0.26</i>	<i>1.49</i>
<i>Fixed rate</i>	<i>61.48</i>	<i>7.90</i>	<i>(2.75)</i>	<i>1.67</i>	<i>8.11</i>
0.0< <=1.5	10.76	0.74	(0.66)	0.26	0.16
1.5< <=3.0	5.53	2.23	(1.70)	0.80	2.84
3.0< <=5.5	6.67	3.64	(2.33)	1.20	5.39
5.5< <=7	5.81	5.54	(2.91)	1.81	8.87
>7	32.71	11.12	(3.35)	2.35	12.04
<b>Corporate Euro</b>	<b>22.20</b>	<b>4.30</b>	<b>(2.31)</b>	<b>1.20</b>	<b>5.43</b>
<i>Variable rate</i>	<i>0.14</i>	<i>0.13</i>	<i>(0.13)</i>	<i>0.00</i>	<i>1.24</i>
<i>Fixed rate</i>	<i>22.06</i>	<i>4.33</i>	<i>(2.33)</i>	<i>1.21</i>	<i>5.45</i>
0.0< <=1.5	2.48	0.89	(0.78)	0.31	0.31
1.5< <=3.0	6.94	2.25	(1.71)	0.77	2.78
3.0< <=5.5	4.97	4.01	(2.45)	1.25	5.77
5.5< <=7	3.10	5.33	(2.83)	1.67	8.14
>7	4.57	7.67	(3.20)	2.00	10.15
<b>Euro Bond Funds</b>	<b>1.03</b>	<b>3.00</b>	<b>(2.11)</b>	<b>0.93</b>	<b>3.88</b>
<i>Fixed rate</i>	<i>1.03</i>	<i>3.00</i>	<i>(2.11)</i>	<i>0.93</i>	<i>3.88</i>
1.5< <=3.0	1.03	3.00	(2.11)	0.93	3.88
<b>Government Non Euro</b>	<b>0.04</b>	<b>3.21</b>	<b>(1.87)</b>	<b>0.25</b>	<b>0.88</b>
<i>Fixed rate</i>	<i>0.04</i>	<i>3.21</i>	<i>(1.87)</i>	<i>0.25</i>	<i>0.88</i>
0.0< <=1.5	0.03	1.22	(1.07)	0.17	0.31
3.0< <=5.5	0.01	3.34	(2.59)	0.24	0.86
>7	0.00	14.35	(3.94)	1.14	6.57
<b>Total Bonds</b>	<b>98.97</b>	<b>6.18</b>	<b>(2.36)</b>	<b>1.35</b>	<b>6.49</b>
<b>Total</b>	<b>100.00</b>	<b>6.15</b>	<b>(2.36)</b>	<b>1.34</b>	<b>6.46</b>

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

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

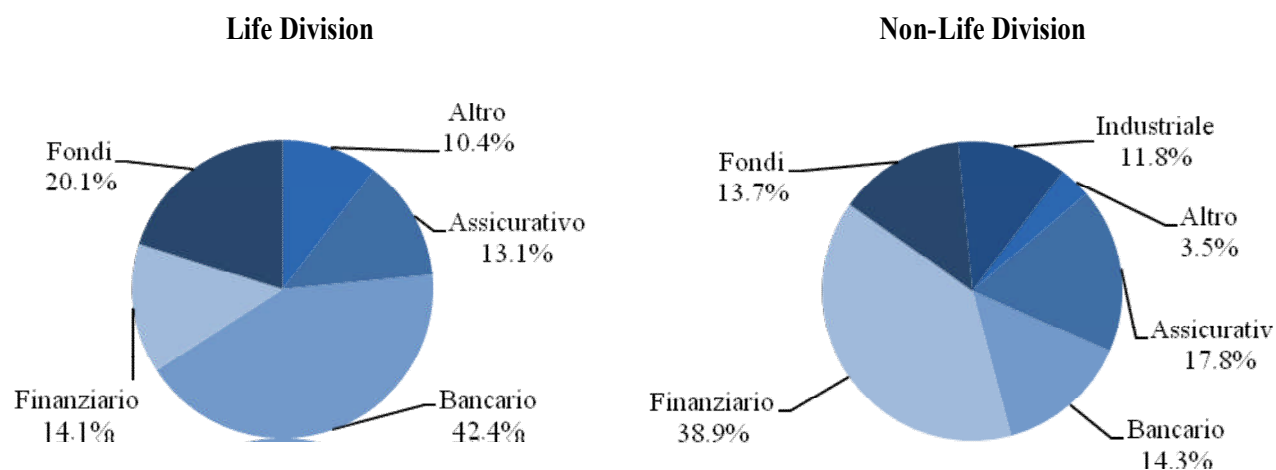
The equity risk “risk of unexpected losses deriving from adverse changes in equity prices” and the foreign exchange risk “risk of unexpected losses deriving from adverse changes in exchange rates” are valued as stochastic models calibrated on the market.

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



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

**Graph 5 – 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 14 – Sensitivity analysis of the listed equity portfolio**

(in Euro millions)	31/12/2011	31/12/2010
<b>Total</b>	<b>(71)</b>	<b>(112)</b>
of which Non-Life	(37)	(70)
of which Life	(35)	(42)

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 15 – 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	Swedish Crown	0.00	19.14	3.93	23.07
	Euro	12.17	13.38	0.00	13.38
	UK Sterling	0.03	16.80	4.05	20.85
	<b>Total listed shares</b>	<b>12.20</b>	<b>13.39</b>	<b>0.01</b>	<b>13.40</b>
Derivatives on shares	Euro	0.01	N/A	0.00	N/A
	<b>Total Derivatives</b>	<b>0.01</b>	<b>N/A</b>	<b>0.00</b>	<b>N/A</b>
	<b>Net equity exposure</b>	<b>12.21</b>	<b>7.35</b>	<b>0.01</b>	<b>7.36</b>
Bond funds	Euro	0.23	0.93	0.00	0.93
Bonds	Euro	33.24	0.76	0.00	0.76
	<b>Total Bond Funds</b>	<b>33.47</b>	<b>0.76</b>	<b>0.00</b>	<b>0.76</b>
Shares	US Dollar	0.03	8.84	5.56	14.40
	Euro	51.74	5.69	0.00	5.69
	<b>Total non-listed shares</b>	<b>51.77</b>	<b>5.70</b>	<b>0.00</b>	<b>5.70</b>
	<b>Total</b>	<b>97.45</b>	<b>4.21</b>	<b>0.00</b>	<b>4.21</b>
	Euro	2.55	0.76	0.00	0.76
	<b>Other assets</b>	<b>2.55</b>	<b>0.76</b>	<b>0.00</b>	<b>0.76</b>
	<b>Total</b>	<b>100.00</b>	<b>4.12</b>	<b>0.00</b>	<b>4.12</b>

**Table 16 – Analysis of the composition of the VaR of the Life Division**

Type	Currency	Composition % (Exact holding)	VaR Rate Price %	VaR Exchange %	VaR Total %
Shares	Euro	4.49	12.96	0.00	12.96
	Swiss Franc	0.06	16.27	7.39	23.67
	UK Sterling	0.14	15.64	4.05	19.69
	<b>Total listed shares</b>	<b>4.70</b>	<b>13.09</b>	<b>0.22</b>	<b>13.31</b>
Derivatives on shares	Euro	(0.01)	N/A	0.00	N/A
	<b>Total Derivatives</b>	<b>(0.01)</b>	<b>N/A</b>	<b>0.00</b>	<b>N/A</b>
	<b>Net equity exposure</b>	<b>4.69</b>	<b>12.22</b>	<b>0.22</b>	<b>12.44</b>
Bond funds	Euro	0.85	0.93	0.00	0.93
Bonds	US Dollar	0.03	0.27	5.62	5.89
	Euro	80.01	1.37	0.00	1.37
	Swiss Franc	0.01	0.14	7.56	7.71
	Japanese Yen	0.00	0.47	6.30	6.77
	<b>Total Bond Funds</b>	<b>80.89</b>	<b>1.36</b>	<b>0.00</b>	<b>1.37</b>
Shares	Euro	8.68	6.22	0.00	6.22
	<b>Total non-listed shares</b>	<b>8.68</b>	<b>6.22</b>	<b>0.00</b>	<b>6.22</b>
	<b>Total</b>	<b>94.26</b>	<b>2.35</b>	<b>0.01</b>	<b>2.36</b>
	Euro	5.74	1.38	0.00	1.38
	<b>Other assets</b>	<b>5.74</b>	<b>1.38</b>	<b>0.00</b>	<b>1.38</b>
	<b>Total</b>	<b>100.00</b>	<b>2.30</b>	<b>0.01</b>	<b>2.31</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.

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

Type	Currency	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Shares	Swedish Crown	0.00	68.25	18.46	86.71
	Euro	12.17	47.68	0.00	47.68
	UK Sterling	0.03	54.93	18.99	73.92
	<b>Total listed shares</b>	<b>12.20</b>	<b>47.70</b>	<b>0.05</b>	<b>47.75</b>
Derivatives on shares	Euro	0.01	N/A	0.00	N/A
	<b>Total Derivatives</b>	<b>0.01</b>	<b>N/A</b>	<b>0.00</b>	<b>N/A</b>
	<b>Net equity exposure</b>	<b>12.21</b>	<b>39.23</b>	<b>0.05</b>	<b>39.28</b>
Bond funds	Euro	0.23	3.88	0.00	3.88
Bonds	Euro	33.24	3.71	0.00	3.71
	<b>Total Bond Funds</b>	<b>33.47</b>	<b>3.71</b>	<b>0.00</b>	<b>3.71</b>
Shares	US Dollar	0.03	38.06	25.50	63.56
	Euro	51.74	24.65	0.00	24.65
	<b>Total non-listed shares</b>	<b>51.77</b>	<b>24.66</b>	<b>0.01</b>	<b>24.67</b>
	<b>Total</b>	<b>97.45</b>	<b>19.29</b>	<b>0.01</b>	<b>19.30</b>
	Euro	2.55	3.69	0.00	3.69
	<b>Other assets</b>	<b>2.55</b>	<b>3.69</b>	<b>0.00</b>	<b>3.69</b>
	<b>Total</b>	<b>100.00</b>	<b>18.89</b>	<b>0.01</b>	<b>18.90</b>

**Table 18 – Analysis of the Risk Capital of the Life Division**

Type	Currency	Composition % (Exact holding)	Risk Capital Rate Price %	Risk Capital Exchange %	Risk Capital Total %
Shares	Euro	4.49	46.69	0.00	46.69
	Swiss Franc	0.06	58.28	33.01	91.29
	UK Sterling	0.14	55.89	18.99	74.88
	<b>Total listed shares</b>	<b>4.70</b>	<b>47.12</b>	<b>1.01</b>	<b>48.13</b>
Derivatives on shares	Euro	(0.01)	N/A	0.00	N/A
	<b>Total Derivatives</b>	<b>(0.01)</b>	<b>N/A</b>	<b>0.00</b>	<b>N/A</b>
	<b>Net equity exposure</b>	<b>4.69</b>	<b>46.52</b>	<b>1.01</b>	<b>47.53</b>
Bond funds	Euro	0.85	3.88	0.00	3.88
Bonds	US Dollar	0.03	0.97	25.75	26.71
	Euro	80.01	6.60	0.00	6.60
	Swiss Franc	0.01	0.30	33.77	34.07
	Japanese Yen	0.00	2.04	28.59	30.62
	<b>Total Bond Funds</b>	<b>80.89</b>	<b>6.57</b>	<b>0.01</b>	<b>6.58</b>
Shares	Euro	8.68	27.20	0.00	27.20
	<b>Total non-listed shares</b>	<b>8.68</b>	<b>27.20</b>	<b>0.00</b>	<b>27.20</b>
	<b>Total</b>	<b>94.26</b>	<b>10.46</b>	<b>0.06</b>	<b>10.52</b>
	Euro	5.74	6.68	0.00	6.68
	<b>Other assets</b>	<b>5.74</b>	<b>6.68</b>	<b>0.00</b>	<b>6.68</b>
	<b>Total</b>	<b>100.00</b>	<b>10.24</b>	<b>0.06</b>	<b>10.30</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 and reference to fair value. 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.

### 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.

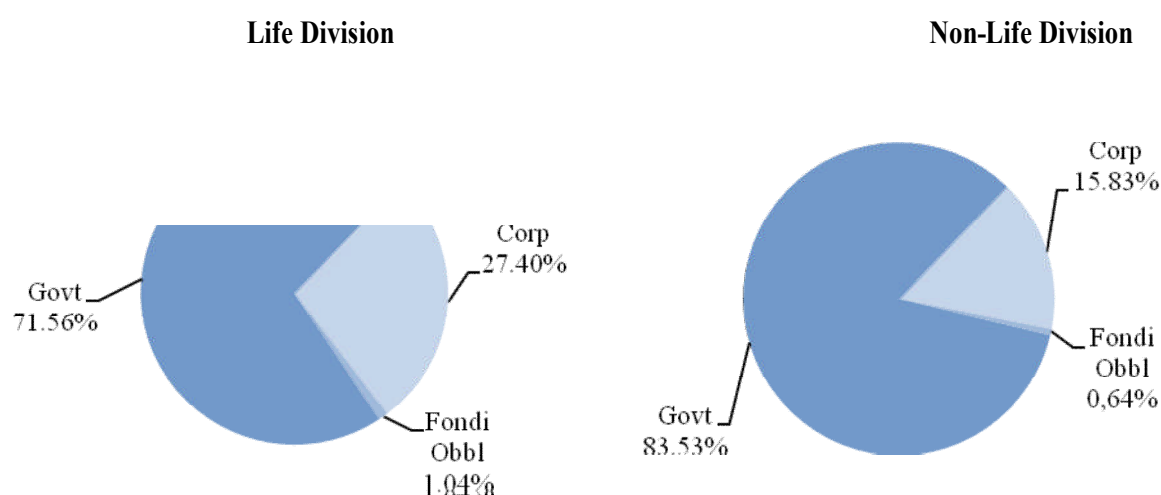
The internal model utilises two models to determine the spread risk.

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 6 - Composition of the Bond portfolio**



**Graph 7 – Government bond portfolio by country of the Non-Life Division**

Paese emittente	Quota (%)
FRANCIA	2,24%
GERMANIA	31,35%
ITALIA	66,41%

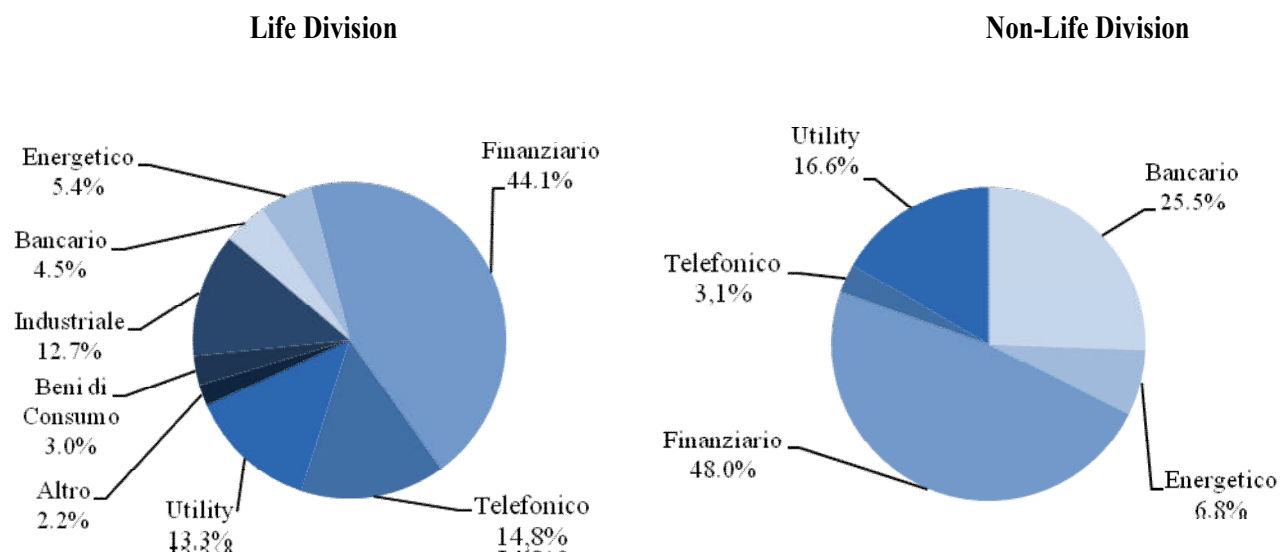
FRANCIA ■ GERMANIA ■ ITALIA

**Graph 8 – Government bond portfolio by country of the Life Division**

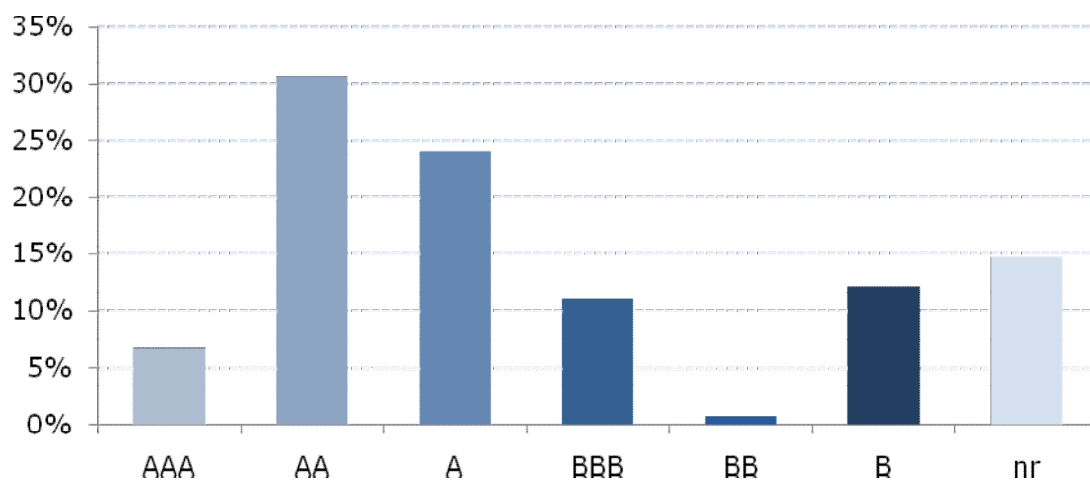
Paese emittente	Quota (%)
BELGIO	0,11%
CANADA	0,07%
FRANCIA	0,44%
GERMANIA	4,90%
GRECIA	0,65%
IRLANDA	0,33%
ITALIA	92,12%
PORTOGALLO	0,04%
SOVRANATIONAL	0,12%
SPAGNA	1,22%
STATI UNITI D'AMERICA	0,01%
UNGHERIA	0,01%

GRECIA ■ GERMANIA ■ ITALIA  
SPAGNA ■ ALTRO

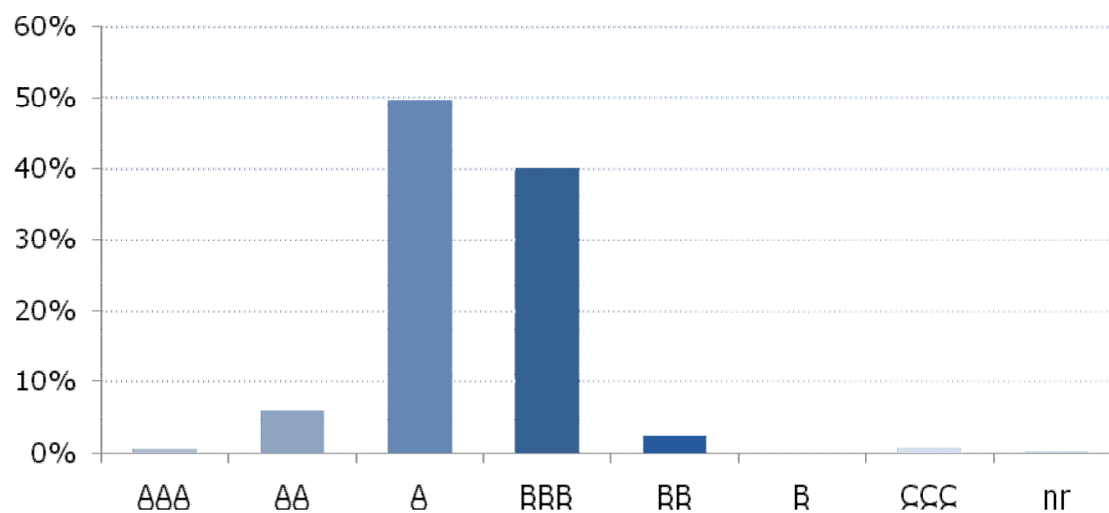
**Graph 9 - Composition of corporate bonds by segment**



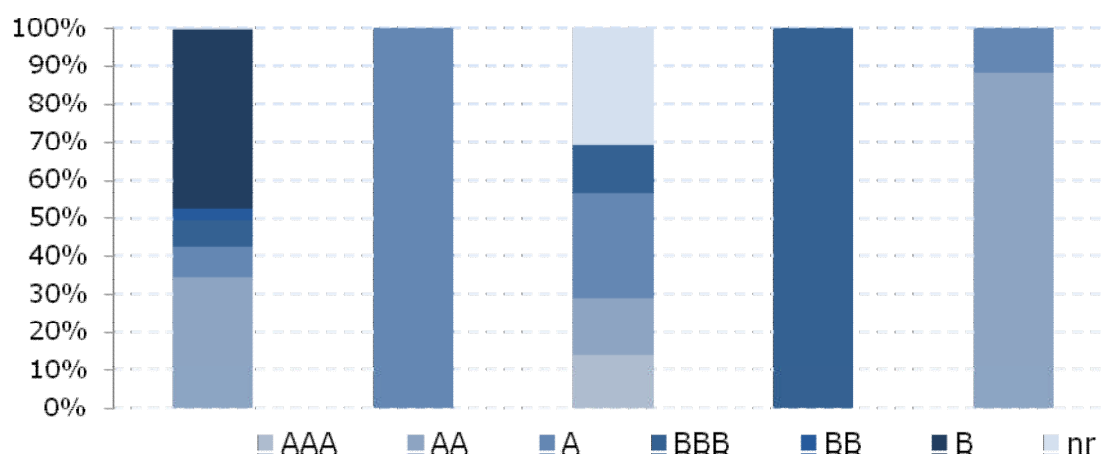
**Graph 10 – Corporate bond portfolio of Fondiaria SAI by Standard & Poor's rating – Non-Life Division**



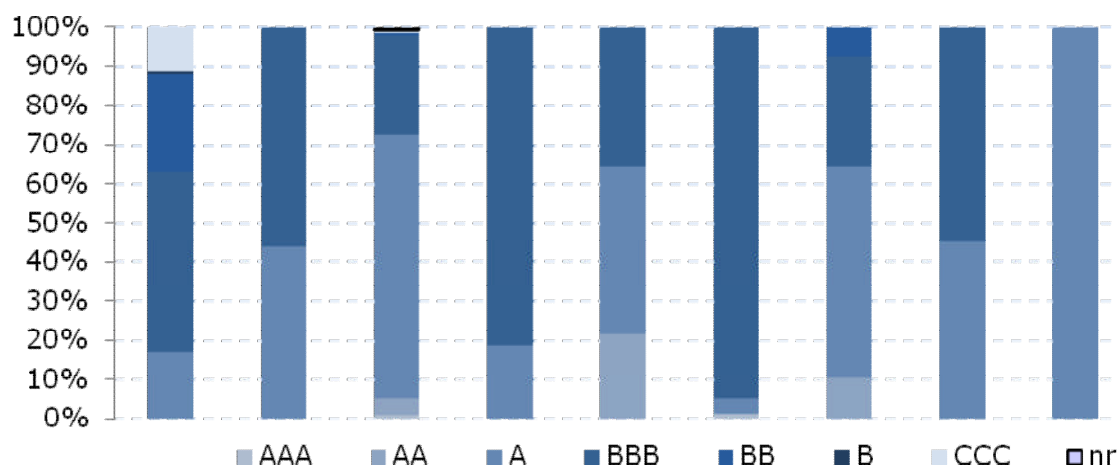
**Graph 11 – Corporate bond portfolio of Fondiaria SAI by Standard & Poor’s rating = Life Division**



**Graph 12 - Corporate bond portfolio by sector and rating of the Non-Life Division**



**Graph 13 - Corporate bond portfolio by sector and rating of the Life Division**



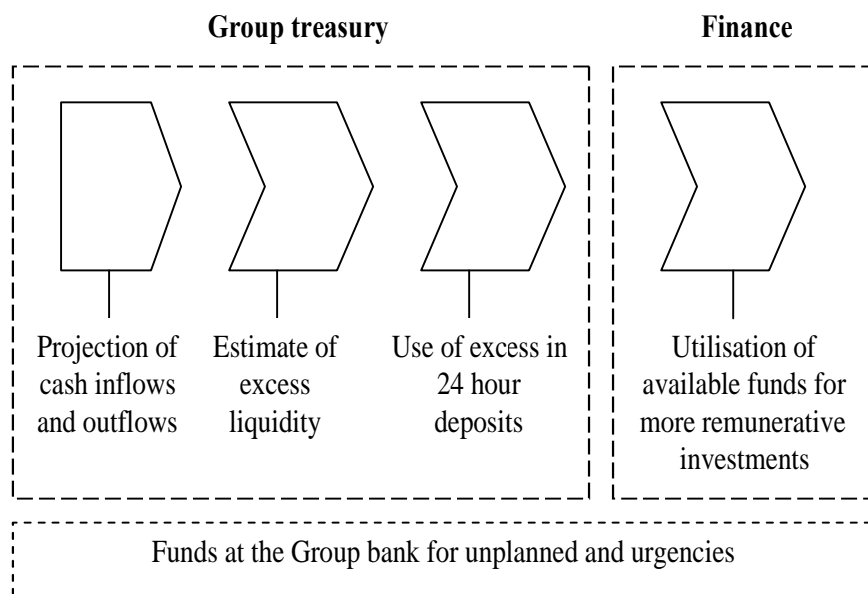
### **Liquidity risk**

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 developed 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)”. Based on the framework of Operational Risk Management, the relationships and the reciprocal impacts between Operating Risks and the risks indicated in the Map are also considered, which include risk compliance and reputational risk, with the objective to evaluate the direct and indirect effects of events relating to operating risks. In particular, the analysis adopted is aimed at understanding, according to the casual logic the risk factors, events and effects (monetary and non monetary) as well as the impacts that these effects can have on the solvency of the Group and achieving the objectives set.

Within the corporate governance structure of the Group, the Operational Risk Management activity is undertaken by the Operational Risk Management, IT, Business Continuity and Data Quality Unit within the Risk Management Department of the Parent Company Fondiaria-SAI. The objectives assigned to this unit, within the internal control system, have the objective to ensure the safeguarding of the Group assets, the adequate control of the risks and the improvement of the efficiency of the business processes.

In undertaking its activities, the Risk Management department on the basis of the Group organisational model, works with the Risk and Control Manager (RRC), who report hierarchically to the Process owner and functionally to the Risk Management Department.

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

**Table 19 – Classification of the operating risk**

#### 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 carried out**

During the year, the Risk Self Assessment activity continued of the business processes according to the qualitative-quantitative methodology based on questionnaires which identified the most significant risks in terms of economic impact. 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 relation to the definition of the Business Continuity general plan, the recognition activity was concluded on the principal business processes and on the principal Group operating site in order to define the minimum operating requirements in emergency conditions against the principal catastrophic events (Business Impact Analysis).

On the management of the IT risk, some evaluations were made on the vulnerability of the IT system with particular focus on the evaluation of the infrastructure managed by the outsourcer FSST and some applications on the internet.

The IT risk and business continuity risk are within the sphere of the Disaster Recovery plans which, operationally managed by the outsourcer FSST, are coordinated and verified both in the proprietary phase and in the testing phase by the Operating Risk Management, IT, Business Continuity and Data Quality departments.

The activity relating to the definition of a data quality management model, within the Solvency II convergence, was undertaken through a pilot project which created the basis for a data dictionary and for a census methodology and controls. Simultaneously specific work was undertaken to improve the quantity and quality of the information relating to catastrophic risk in the Non-Life Corporate policy sector.

## **The Solvency II convergence project**

In July 2011 the “Solvency II Project” was updated, in line with that declared in the July 2010 resolution for the formal request of admission to the pre-application process for its internal model.

Within this update, undertaken in order to ensure constant alignment of the Programme to the finalisation process of the Solvency II regulation, the Company also redefined the application scope of its internal model assuming as benchmark the matters highlighted in the Quantitative Impact Study 5 (QIS 5).

Therefore in the request for admission of the pre-application of the internal model, the exact definition of the application scope of the model was based on the experiences gathered in the compilation of the QIS 5 for all of the insurance companies of the Group.

From the comparative analysis of the risk estimates obtained from the standard formula and from the internal model, the possibility emerged not to consider the use of the internal model for some specific business classes and therefore the application perimeter excluded some companies whose businesses were concentrated in specific classes for which the internal model required adjustments and customisation.

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## CULTURAL AND SOCIAL INITIATIVES

In 2011, the policy favoured, in accordance with the traditional concerns of the Company, the problems related to social issues and physical and mental illness. 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. Support was renewed for the Friends of the Dino Ferrari Centre, an organisation involved in the care of neuromuscular and neurodegenerative illnesses and for the Maggiore Hospital Visitor's Association, which provides emotional and material support for hospital patients and their family coming from outside the city.

In the third quarter of 2011 the Fondiaria SAI Group supported the Prader Willi Association and their Families. The Prader Willi Syndrome is a very rare genetic defect, present at birth, whose causes are currently unknown.

In relation to the social-cultural initiatives, the Company renewed its support for the Associazione Interessi Metropolitani (Metropolitan Support Association), which promotes research, projects, conventions and publications in the Milan metropolitan area. Support was provided to the 13<sup>th</sup> edition of the International Short Film Festival in Sabina, a cultural event patronised by the Ministry for Young Persons, which attracts from throughout the world the leading short films from the animation, fiction and video clip genres.

In the sporting field, Fondiaria-SAI reconfirmed 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. In the final quarter of the year, Fondiaria-SAI sponsored the “Cena di Natale Insieme” charity event for children.

## Press Office

The press office undertook the publication of the results for the previous year and the interim results.

Important communications in 2011 included the Extraordinary shareholders' meetings, approving the share capital increases of the Parent Company Fondiaria-SAI and the subsidiary Milano Assicurazioni, in addition to changes in governance, corporate boards and organisational structures and the sale of the investment in Citylife S.r.l., focused, in particular, on the shares of Fondiaria-SAI S.p.A. in order to strengthen the consolidated solvency margin and on the management of the disclosures relating to the communication of a new share capital increase.

The press office, in addition to communicating press releases, organised and managed meetings with the newspapers and journals in order to expand further on the services and products offered by the Group. The Press Office also supported the meetings of the CEO with the press (Italian and foreign).

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## **Customer relations**

The number of complaints received by the Company pursuant to Regulation No. 24 of May 19, 2008 in 2011 saw a decrease of 2%. At December 31, 2011, 95% of claims received were responded to. The average response time was 21 days.

At December 31, 2011 therefore 5% of claims received were still open, of which 65% handled by the end of the succeeding quarter.

Claims relating to the Non-Life Division represent 97% of the total at December 31, 2011, with the remaining 3% concerning the Life Division.

Of claims received, over 80% related to the Motor and Pleasure Boat TPL Class, of which 54% relating to Direct Indemnity motor claims.

The highest amount of claims received by Fondiaria-SAI in the January – December 2011 period (44%) were presented by legal professionals, following direct claims (40%) and claims from consultants at 15% comprising the third most numerous category. 1% were received from consumer associations or organisations representing collective interests. The majority of claims (56%) concern policyholders, followed by third parties (32%), with contracting parties comprising 7% and beneficiaries 3%. The geographic distribution of claims highlight 42% from the Southern regions, with the North and Central regions comprising respectively 21% and 18% of the total. 14% of the complaints came from the islands.

## **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 2011, 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 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 considered 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.. In addition, Standard & Poor's considered 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 maintained 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.

On March 18, 2011, Fitch Ratings revised the P.I. rating of Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A. from BBB to BBB-. Fitch stated that the lowering of the rating was based on increased uncertainty surrounding the share capital increase of the parent company PremafinHP S.p.A. following the non participation of Groupama and fears of continued losses and further impairments and the requirement to strengthen reserves in the last quarter of 2010. Fitch Ratings maintained the Negative Rating Watch (NRW) on Fondiaria-SAI due to the continued uncertainty of a successful outcome to the announced share capital increase and as a reflection of the risk that the operating measures introduced by the company may not be sufficient to establish a level of capitalisation and profit levels necessary to support the assigned rating.

On March 24, 2011, Fitch Ratings revised the P.I. rating of Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A. from BBB- to BB+. Fitch stated that the lowering of the rating reflects both the losses for the year 2010, greater than their expectations, and the uncertainties related to the turnaround of the Group, given the difficulties within the market. However Fitch Rating also states that, on the successful turnaround and recovery in profitability, and on the completion of the recapitalisation programme, Fondiaria-SAI's rating will be raised.

On May 20, 2011, the rating agency Standard & Poor's removed the negative Creditwatch on Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A., assigning a stable Outlook and confirming the BBB- rating. The removal of the Creditwatch reflects the resolution of the uncertainties regarding a successful share capital increase by Fondiaria-SAI S.p.A. and by Milano Assicurazioni S.p.A., which will result in a strengthening of the capital bases of the respective companies.

Standard & Poor's allocated a stable Outlook in light of the improved solvency margin of the Insurance Group. However the Ratings Agency stated that if the capital base of Fondiaria-SAI were to significantly deteriorate – and however to a level not supported by a BBB rating - or if profitability were to contract, the rating would be appropriately lowered.

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On September 23, 2011, the rating agency Standard & Poor's confirmed the rating of BBB- but lowered the Outlook to Negative for Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A.. The Outlook was revised as the agency considers that the Group's balance sheet may be further impacted by the uncertain economic climate and the volatility of the financial markets. Standard & Poor's affirms however that Fondiaria-SAI remains highly competitive and that the operating performance is improving thanks to the actions taken by management.

On November 15, 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 BB+. Standard & Poor's confirmed the decision followed the losses of the Group in the first nine months of the year and the effect of these losses on the capitalisation of the company and the solvency margin.

The negative Credit Watch reflects the weakened solvency of the company due to both the losses and the extremely volatile financial market conditions; in the opinion of the agency, these conditions could adversely affect the capacity to implement appropriate measures to guarantee a sustainable recovery. In relation to this, the Fondiaria SAI Group underlined that operations are under review concerning the Group assets, in order to permit, in the shortest timeframe possible, together with further improvements of the normal operations recorded in the current year, a return of the solvency margin above the declared objective of 120%.

On December 14, 2011, Fitch Ratings, within an overall review of the Italian and Spanish stock markets, revised the P.I. rating of Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A. from BB- to BB+, with a negative outlook.

Fitch lowered the rating in consideration of Italian sovereign debt uncertainties and the consequent weakening of the Group's capital levels. However the agency noted the continued improvement of the Non-Life sector technical performance and reported that the rating may be upgraded on the improvement and stabilisation of the sovereign debt situation.

On December 29, 2011, Fitch Ratings, following the Group announcement in the press release of December 23, 2011, confirmed the P.I. rating of Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A. at BB-, placing a Negative Creditwatch. Fitch stated that Italian sovereign debt uncertainties and the level of stock market exposure leave the Group's capital levels open to volatility. The Creditwatch will be removed on the completion of the announced Fondiaria-SAI capital increase.

On the same date, the rating agency Standard&Poor's lowered the rating of Fondiaria-SAI S.p.A. and its principal subsidiary Milano Assicurazioni S.p.A. from BB+ to B with a "developing" Creditwatch. Standard & Poor's stated the decision was based on the weakened financial position of the company and the forecast losses for the Group for 2011, as announced on December 23, 2011 and the consequent lowering of the forecast adjusted solvency margin under the 100% threshold. The agency noted that the Group plans to launch a share capital increase by June 2012 for a total amount of between Euro 600 and Euro 750 million. The rating is subject to a "developing" Creditwatch and may be altered - also positively - depending on the outcome of the capital increase and the capacity of the Group to improve the financial base within an extremely volatile environment.

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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 management and coordination 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 357 million and the recording of revenues of approx. Euro 228 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.

On March 19, 2012, the Board of Statutory Auditors of Fondiaria SAI S.p.A. reported of a complaint presented pursuant to Article 2408 second paragraph of the civil code relating to potential actionable matters in the complaint presented on October 17, 2011 by Amber Capital Investment. For further information, reference should be made to the website of the Parent Company (“Extraordinary and ordinary Shareholders’ Meeting 16-19 March 2012”) and “Significant events after the year-end”.



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## NATIONAL TAX CONSOLIDATION

In 2011, fulfilling the requirements, the Group taxation was carried out under 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 60 subsidiary companies within the tax consolidation.

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, 2011.**

The Group assessable income tax for the year 2011 reports a residual fiscal loss, net of income transferred, of approx. Euro 684.5 million.

The effects on the financial statements for the year 2011 related to the transfer, to the Group, of assessable profits and losses as well as receivables from the tax authorities, are commented upon in detail in the respective accounts in the notes to the financial statements, to which reference should be made.

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 three-year period application of the consolidating contracts are listed below.

In 2011, the following companies were fully included:

Company	Period of tax agreement
MILANO ASSICURAZIONI S.p.A.	2010-2012
LIGURIA SOCIETÀ 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 FONDIARIA-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 FONDIARIA-SAI SERVIZI S.c.r.l.	2010-2012
SERVICE GRUPPO FONDIARIA-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
STIMMA S.r.l.	2011-2013
INSEDIAMENTI AVANZATI NEL TERRITORIO S.p.A.	2011-2013
ATAVALUE S.r.l.	2011-2013
SINTESI SECONDA S.r.l.	2011-2013
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

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## **Fondiaria-SAI S.p.A. and Milano Assicurazioni S.p.A. review 2011 forecasts**

On the request of CONSOB, on October 6 last Fondiaria-SAI communicated that, based on the available information and the financial market performance, it was reasonable to assume that the consolidated result forecast in budget 2011 of Euro 55 million would not be met.

## **LITIGATION**

### **Actions by shareholders**

With regard to the proceedings instituted by shareholders of the subsidiary La Fondiaria Assicurazioni S.p.A. in the carrying out of the obligations of the public purchase offer pursuant to CONSOB regulation of December 2002, there is now only one first level proceeding pending before the Milan Court.

There are however four proceedings initiated by the Company for the reform of four judgements issued by the Court of Milan pending with the Court of Appeals of Milan. In addition, another 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.

The Milan Court of Appeals – in the seven second level judgements issued on the matter – has fully reformed the first instant sentences accepting the Company's objections and rejecting the request for compensation made by the claimants.

There are two summary judgements currently before the Court of Cassation brought forth by Promofinan S.p.A. and by Messrs. Marcegaglia, Savelli and Gazzoni Frascara in appeal of the judgement in our favour that was issued by the Milan Court of Appeals. The Company has counter-appealed. At the current moment, no date for the meeting has been set.

The provisions for risks and charges in the financial statements at 31/12/2011 are sufficient against the litigation in course.

### **Communications to the Motor TPL Claims Databank**

On March 24, 2011, ISVAP sent to all sector companies a letter concerning the communication obligations to the Motor TPL Claims Databank regarding the details of each claim as the supervisory body had reported that since the entry into force of the new claims communication method there have been significant deficiencies in the communication made by companies, relating to errors or incomplete information of the data concerning the individual claims, stating that measures – including penalties - would be taken as established by the applicable regulations.

Following these letters, formal notices were communicated to Fondiaria-SAI and other Group insurance companies.

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Fondiaria-SAI took the decision to present appeals before the Lazio Regional Court, as have other insurance companies: similar appeals have also been presented by other Group insurance companies. Under the appeal sent on May 30, 2011, cancelation of the disputed provisions of ISVAP sanction of March 24, 2011 was requested.

On July 15, 2011, the insurance companies of the Group presented to the Supervisory Body an appeal in accordance with Article 327, paragraph 4, of Legislative Decree No. 209 of 2005. Through the appeal, the application of an alternative penalty was requested based on the Claims Databank processes improvement actions, set out in a specific plan. The alternative penalty ranges from a minimum of Euro 50 thousand to a maximum of Euro 500 thousand for each insurance company involved.

Finally it is reported that on December 12, 2011, the Supervisory Authority, following the inspections undertaken, communicated to Fondiaria-SAI that the measures adopted by the Companies of the Group are adequate to remove the organisational dysfunction contested by the Authority.

## **Tax Audits**

In relation to the disputes for the tax periods 2005-2008 for effective tax avoidance – concerning financial operations which generated foreign tax credits and resulted in the receipt of dividends, the Company – following the meetings with the Central Tax Administration and the claims of the Tuscany and Lombardy Regional Tax Authorities - finalised the tax position. The finalisation also involved the subsidiary Milano Assicurazioni which had also undertaken similar financial operations.

In particular, for 2005, in relation to which in December 2010 IRES, IRAP and withholding tax assessments were notified on 16/17 May 2011; tax settlements were reached with the immediate payment of the IRAP and the withholding tax while for the IRES payment was agreed by instalment and the instalments were paid on the respective due dates.

For the tax periods 2006, 2007 and 2008 tax assessments were received in relation to which appeals were issued. Acceptance was expressed by the insurance companies, exercising the option to pay through instalments and the instalments were paid on the respective due dates.

The tax charge of Fondiaria-SAI following the finalisation of these disputes for the period 2005-2008 amounted to Euro 52.6 million, of which Euro 20.2 million concerning the year 2005. The tax charge of Milano Assicurazioni following the finalisation of these disputes amounted to Euro 34.6 million, in addition to interest on instalment payments, of which Euro 13.1 million concerning the year 2005.

The total amount paid of Euro 87.2 million compared to a potential risk from an additional assessment of over Euro 570 million.

The total impact of the finalisation of the tax charge of the Company is entirely covered by provisions.

This concerns the tax avoidance for the year 2004, also in relation to financial operations involving the receipt of dividends, against a request of Euro 1.7 million for higher taxes and penalties, already reduced following appeals by the financial administration department of the company, taking into account the amount involved, the company made an appeal. The Florence Provincial Tax Commission accepted the appeal of the Company cancelling the assessment notice.

# 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 494,731,136.00.

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

	No. shares	% of share capital	Quoted on	Rights and obligations
Ordinary shares	367,047,470	74.19	MTA – BORSA ITALIANA S.p.A.	(*)
Savings shares	127,683,666	25.81	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 share capital until the entire nominal value of the savings shares has been reimbursed.

## b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

## c) Significant shareholdings

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

Shareholder	Direct shareholder	% held of ordinary capital	% held of voting capital
Premafin Finanziaria S.p.A. H.P.		39.682	37.221
	Premafin Finanziaria S.p.A. H.P.	31.622	32.911
	Milano Assicurazioni S.p.A. (*)	2.720	-
	Finadin S.p.A.	4.141	4.309
	Fondiaria-SAI S.p.A. (*)	0.872	-
	SAI Holding Italia S.p.A. (*)	0.327	-
Unicredit S.p.A.		6.986	
	Unicredit S.p.A. (**)	6.600	
	Unicredit Bank AG	0.386	

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Meneguzzo Roberto	Palladio Finanziaria S.p.A.	5.002
Sator Capital Limited	Arepo PR S.p.A.	3.011

*(\*) excluded voting right pursuant to law*

*(\*\*) of which 924 shares as lien*

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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;



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- When the above-mentioned slate does not contain candidates not previously elected or when for whatever reason that stated by letter a) cannot be complied with, the Board of Directors makes the replacement in accordance with the statutory majority, without the voting of slates.

The provisions of letter b) below are applied where the Board of Directors are elected without complying with the voting of slates due to the presentation of only one slate or of no slate.

In the event that the majority of the Directors' offices become vacant, the entire Board shall be deemed to have resigned and must promptly call a meeting of the shareholders to elect a new Board.

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

The 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.

The Board of Directors of Fondiaria-SAI, based on the power granted by the Extraordinary Shareholders' Meeting of May 14, 2011, approved a paid-in divisible share capital increase for a total maximum amount of Euro 450,000,000, including any share premium, through the issue of ordinary and saving shares, all with a nominal value of Euro 1.00 each and with the same rights as those in circulation at the date of issue, to be offered as options respectively to ordinary and saving shareholders of the Company from the initial subscription date, in proportion to the number of ordinary and/or savings shares held.

The Board of Directors of Fondiaria-Sai in the meeting of June 22, 2011 approved to increase the divisible paid-in share capital for a maximum value of Euro 448,969,914.00 (including share premium) through the issue of:

- 242,564,980 ordinary shares of a nominal value of Euro 1 each, with the same rights as those in circulation to be offered as options to holders of ordinary shares of the Company at a price of Euro 1.50 per share, of which Euro 0.50 of share premium, in the amount of 2 newly issued shares for every 1 ordinary share held, for a total nominal maximum value of Euro 242,564,980.00 and for a total maximum value, including the share premium, of Euro 363,847,470.00. The issue price was calculated applying a discount of approx. 39.6 % on the Theoretical Ex Rights Price (TERP) of the ordinary shares, calculated based on the official Stock Market closing price of June 22, 2011;
- 85,122,444 savings shares of a nominal value of Euro 1 each, with the same rights as those in circulation to be offered as options to holders of savings shares of the Company at a price of Euro 1 per share, and therefore without share premium, in the amount of 2 newly issued shares for every 1 ordinary share held, for a total nominal maximum value of Euro 85,122,444.00. The issue price was calculated applying a discount of approx. 35.4 % on the Theoretical Ex Rights Price (TERP) of the savings shares, calculated based on the official Stock Market closing price of June 22, 2011.

This share capital increase was concluded on July 27, 2011, with the full subscription of the newly issued ordinary and savings shares of Fondiaria-SAI.

During the rights offer period between June 27, 2011 and July 15, 2011, 120,763,821 option rights were taken up for 241,527,642 newly issued Fondiaria-SAI ordinary shares and 42,023,328 option rights for 84,046,656 savings shares, equal to respectively 99.572%% of the total of the newly issued ordinary shares and 98.736%% of the total of the newly issued savings shares offered, for a total value of Euro 446,338,119.00.

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Following the subscription commitments undertaken, 39,717,548 option rights were directly and indirectly exercised by the shareholder Premafin Finanziaria S.p.A. – Holding di Partecipazioni for the subscription of 79,435,096 newly issued ordinary shares for a value of Euro 119,152,644.00 and 12,112,567 option rights were exercised by UniCredit S.p.A. for the subscription of 24,225,134 newly issued ordinary shares for a value of Euro 36,337,701.

All 518,669 ordinary option rights and all 537,894 savings share option rights not exercised at the end of the Offer Period were sold on July 20, 2011 at the first session in which the Option Rights were offered on the open market by Fondiaria-SAI through UniCredit Bank AG, Milan Branch in accordance with Article 2441, third paragraph of the Civil Code and subsequently exercised through the subscription of 1,037,338 newly issued ordinary shares and 1,075,788 newly issued savings shares, equalling respectively 0.428% of the total newly issued ordinary shares and 1.264% of the total newly issued savings shares offered, for a total value of Euro 2,631,795.00.

The share capital Increase therefore concluded with the full subscription to the 242,564,980 ordinary shares and the 85,122,444 savings shares offered, for a total value of Euro 448,969,914.00, without recourse to the guarantee consortium.

The new share capital of Fondiaria-SAI totals Euro 494,731,136, comprising 367,047,470 ordinary shares and 127,683,666 savings shares of a nominal value of Euro 1.00 each.

It is also recalled that, the shareholders' meeting of Fondiaria-SAI S.p.A. of March 19, 2012 approved, subject to authorisation by ISVAP:

1. the cancelling of the indication of the nominal value of ordinary and savings shares of Fondiaria-SAI, in accordance with Articles 2328 and 2346 of the civil code;
2. the carrying out of a reverse split, on a date to be set in agreement with Borsa Italiana S.p.A. and all other relevant authorities, on the ordinary and savings shares in circulation in the ratio of 1 new ordinary or savings share for every 100 respective ordinary and savings shares;
3. to approve the Company to issue new savings shares (hereafter "Category B Shares") with the same characteristics as the savings shares already in circulation (hereafter the "Category A Shares") with the exception of:
  - the pre-emptive right, following that devolving to Category A shares, of capital repayment up to an amount per share equal to the average par value of shares in the same category, i.e. the ratio existing between the total amount of shares allocated on the subscription of the Category B Shares and the total number of Category B Shares existing (hereafter the "Category B Par Value");

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- a preference dividend, following payment of Euro 6.50 devolving to Category A Shares, up to an amount of 6.5% of the par value of the Category B Shares;
  - a total dividend 5.2% greater than the ordinary shares of the value of the Category B shares;
  - the pre-emptive right, following that devolving to Category A Shares, to repayment of capital, in the case of the winding-up of the company, to an amount per share equal to the par value of the Category B Shares;
4. to increase the share capital through a paid-in capital increase for a total maximum amount of Euro 1,100,000,000.00, including any share premium, to be carried out by December 31, 2012, through a rights issue of ordinary shares and Category B shares, with full dividend rights, to be offered to holders of ordinary shares and Category A Shares, in accordance with Article 2441, first, second and third paragraphs of the civil code.

In relation to the authorisation to purchase treasury shares pursuant to article 2357 and thereafter of the civil code, the ordinary shareholders' meeting of April 28, 2011 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 2,500,000, pursuant to article 2357, paragraph 3, of the civil code, establishing that each purchase must be exclusively made on 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.

With reference to the requirements of Article 123 bis, paragraph 2, letter A of the Consolidated Finance Act, we report that the Parent 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).

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

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

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

This system was drawn up based on the following pillars:

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

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

The IT General Controls, 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.

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

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

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

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

- identification of the role and responsibility within each process with establishment of the person responsible for each activity and identification of the various relationships between those involved in the various process phases;
- identification of the existing risks with potential impact on the financial statements through interviews with the managers of the various organisational units involved in each process;
- evaluation of the gross risk profiles, also in relation to fraud, related to the misrepresentation of the balance sheet, financial position and result in the Financial Statements and in the financial disclosure to the market. These evaluations were carried out using the following parameters:
  - frequency of possible occurrence, based on the number of times that the risk could be verified in a specific time period;
  - severity of the impact, defined based on the qualitative-quantitative elements related to incorrect administrative-accounting data or disclosure.

These parameters were evaluated qualitatively according to a High/Medium/Low priority scheme, which establishes the gross risk profile related to the individual activities:

- identification of the control activity, IT or manual, and evaluation of their efficacy in offsetting the risk of untruthful or incorrect representation of the financial disclosure or of lack of traceability;
- define the actions to mitigate the identified risks, in the case in which the controls in place are not sufficient to offset the risk reported or are not sufficiently documented, with establishment of the priority of mitigation actions based on the overall control evaluation;
- implementation and management of a processes/risks/controls database.

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

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

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

The Risk and Control manager involves the Organisational function to commence the consequent reporting and updating in terms of analysis, recording and design of the procedures and involves controls over the business procedures, data recording and risk analysis, risk monitoring and management of the mitigating risk actions with the preparation of the periodic report.

The Management Model has identified the duties of the Executive Responsible 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.

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.

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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 Risk and Control manager, monitor at least half-yearly the relative state of advancement.

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

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

### **Fondiaria-SAI S.p.A.: share capital increase**

The Board of Directors of Fondiaria-SAI S.p.A. (the “Company”), meeting on January 29, 2012, called the Extraordinary Shareholders’ Meeting of the company for March 16, 2012 in first call and March 19, 2012 in second call, to propose to shareholders a rights issue for a maximum total amount of Euro 1,100 million.

The amount proposed to the Shareholders’ Meeting is greater than the maximum Euro 750 million announced to the market on December 23, 2011 following the downward revision of preliminary estimates for 2011 from those reviewed by the Board on December 23, 2011 and announced to the market.

The binding agreement signed on January 29, 12, announced to the market, between the Unipol Group and Premafin S.p.A. concerning the acquisition of control by the Unipol Group of Premafin, with consequent indirect acquisition of control of the Fondiaria-SAI Group, which is subject to certain conditions, takes place as part of a wider integration which will directly involve the Company and provides for the subsequent merger between Unipol Assicurazioni S.p.A., Premafin, Fondiaria SAI and Milano Assicurazioni.

Consequently, the Board of Directors of Fondiaria-SAI, having noted the signing of the above-mentioned agreement, approved the appropriate actions in relation to the proposed merger in order to formulate the subsequent proposals to be presented to the Shareholders’ Meeting.

In particular, the Board appointed – in accordance with the procedures for related party transactions approved by the Board, as Premafin and Milano Assicurazioni will also participate in the proposed merger – a committee of independent directors which will be involved in the negotiations to establish the legal and financial terms of the proposed merger.

The Board also approved the extension of the appointments already mandated to the advisors Goldman Sachs and Studio Legale Carbonetti e Associati within the project for the analysis and execution of the proposed merger.

For complete disclosure we also report that the Board of Directors of the subsidiary Milano Assicurazioni, for its part in the proposed merger, also appointed of a committee of independent directors and will appoint their own financial and legal advisors.

### **Resolutions of Extraordinary and Ordinary Shareholders’ Meeting of March 19, 2012**

The Shareholders’ Meeting of Fondiaria-SAI S.p.A., meeting on March 19, 2012 and chaired by Jonella Ligresti, approved - subject to authorisation by ISVAP and in line with that outlined in the Directors’ Report to the Shareholders’ Meeting of January 29, 2012, to which reference should be made. The documentation relating to the Shareholders’ Meeting was made available to the shareholders, also on the website of the Parent Company, in the section “Extraordinary and Ordinary Shareholders’ Meeting 16-19 March 2012.”



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The rights issue is in the first instance undertaken to strengthen the capital base of the Fondiaria SAI Group, ensuring an increase in the solvency margin to that required by law and guaranteeing the long-term solvency of the Group. This proposal is therefore part of an action plan as per Articles 227 and 228 of Legislative Decree 209/05, requested by ISVAP in communication of January 10, 2012, which noted the significant shortfall in the adjusted solvency margin of the Company. The funds deriving from the capital increase will essentially ensure the stable and long-term solvency of the Company.

On January 29, 2012, on the approval by the Board of Directors of the capital increase proposal, the Company received news of the agreement reached on the same day between the parent company Premafin and Unipol Gruppo Finanziario (UGF), which establishes, among other issues, the integration of Premafin, Fondiaria SAI, Milano Assicurazioni and Unipol Assicurazioni.

Therefore at the January 29, 2012 meeting, the Board decided to begin the preliminary activities concerning analysis of the integration project. These activities are currently ongoing.

On the same date, Mediobanca – which at the end of December was appointed to organise the underwriting syndicate for the proposed capital increase approved by the Board of Directors on December 23, 2011 for a maximum amount of Euro 750 million - drew up a new proposal for the structuring of the capital increase underwriting syndicate, which in light of the agreement between Premafin and Unipol, considered also the completion of the integration project.

The capital increase proposal is therefore viewed as part of the wider integration project with the Unipol Group, who consider that the integration itself will enable a further capital strengthening of the resulting group. In light of this, in the press release of March 15, 2012, UGF published the first targets of the new entity headed by UGF under the operation. As stated in the above-mentioned press release these estimates have not yet been shared with Fondiaria-SAI and therefore subject to further valuation and analysis together with the management of the Company.

The proposal to shareholders is independent of – and subject to approval by ISVAP – the integration operation as the capital strengthening underlying the share capital increase is necessary even in the absence of the integration, whose execution is subject in any case to the fulfilment of the conditions established in the above-stated agreement. If the integration project should no longer be possible, Fondiaria SAI will without delay seek the necessary authorisation for the capital increase.

The preliminary commitments undertaken by Mediobanca and the banks expressing availability to participate in the capital increase underwriting syndicate are based on the completion of the proposed integration operation and having currently not provided a similar guarantee to the Company on a stand alone basis. Therefore, the availability of the banks is, among other issues, based on the completion of the integration project.

ISVAP has restated the necessity to proceed without delay with the capital strengthening operations, without however identifying a final date for completion. Based on the time periods put forward to date, it is expected that the capital increase will take place in May of this year. This timeline assumes that by this date the conditions of the Premafin and Unipol agreement and the terms and conditions of the integration with Unipol will be satisfied.

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Although all the necessary information is not available to precisely measure the pro-forma effects of the share capital increase, it is estimated however that – net of transaction costs – the operation will result in the event of full subscription in:

- a capital strengthening of approx. Euro 1,040 million;
- financial and income effects, depending on the utilisation of financial resources deriving from the capital increase which, taking account of current market conditions, may amount to approx. Euro 40 million, gross of the tax effect.

Based on the preliminary evaluations carried out, with the support of the appointed adviser Goldman Sachs, on January 29 on the first review of the agreements reached between Premafin and UGF, it was established that – from an industrial viewpoint – the integration would create the largest Non-Life insurance provider in Italy with a market share of approx. 30% (2010 data). In the Life sector, the new entity would hold a market share of 7% (2010 data).

More generally, the integration would create one of the largest European insurers with approx. Euro 20 billion of consolidated premiums in 2011, in addition to a potential re-rating of the earnings multiples, following the recapitalisation and simplification of the Group structure.

The preliminary review phase of the industrial profiles and potential synergies stemming from the operation – in addition to the share swap ratio of the integration – is currently underway. The Board to date has not passed any resolutions in this regard.

The Board of Directors of the Company has committed to monitor the fulfilment of the conditions on which the completion of the agreement signed on January 29, 2012 between the parent company Premafin and UGF is based.

In any case, if the Company becomes aware of the existence of issues such as to put at risk the completion of the integration, in a timely manner it will evaluate all appropriate initiatives to ensure completion of the proposed capital increase, considering the possibility to renegotiate the agreements for the organisation of an underwriting syndicate, however within the ambit of a wider rescue plan which conforms with sector regulations.

### **Complaint to the Board of Statutory Auditors pursuant to Article 2408 of the civil code**

On March 19, 2012, the Board of Statutory Auditors of Fondiaria SAI S.p.A. reported of a complaint presented pursuant to Article 2408 second paragraph of the civil code relating to potential actionable matters in the complaint presented on October 17, 2011 by Amber Capital Investment. The complaint requested clarification in relation to the Atahotels operation, some property transactions with related parties and the property consultancy services provided by Mr. Salvatore Ligresti, fees paid for services to companies belonging to the Ligresti family and, finally, fees approved in favour of directors in the years 2008-2010.

The Board of Statutory Auditors – in the shareholders' meeting of March 19, 2012 – presented the report, which was made available to the public, through publication on the internet site of the Company, which provides detailed responses to the matters brought to the attention by the complainant.

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The Board of Statutory Auditors in its report, to which reference should be made, included some suggestions to the Board of Directors in relation to some of the operations contained in the complainant's request.

The complaint refers to some matters of a procedural nature and compliance before the undertaking of intercompany transactions and with related parties which, as described, were brought to the attention of the Board of Directors, which will undertake the necessary detailed analysis as well as their evaluations, concerning the aspects more strictly related to the real estate transactions, illustrated within the complainant's report.

Reference should be made to the section of the notes which illustrate the evaluations made on some assets by independent experts based on internationally recognised application methods and best market practice which, obviously, do not consider in the valuation process aspects of a procedural nature or strategic, such as those contained in the complainant's report which, it is recalled did not affect the ordinary valuation process.

It is therefore considered that the matters reported in the Board of Statutory Auditors' report do not have any impact on the valuation processes adopted in the preparation of the financial statements.

Any damages which could arise following the detailed analysis requested by the Board of Statutory Auditors will be evaluated by the Board of Directors.

The Independent Directors' Committee was tasked with the identification of the independent experts which, from an economic, real estate and legal viewpoint, may assist the Company in the analyses.

### **Agreement of understanding signed for the renewal of the non executive employee agreement**

We report that on March 7, 2012 the agreement of understanding was signed for the renewal of the National Work Collective Contract for non executive employees.

The new contract commenced from January 1, 2010 and expires on June 30, 2013.

We highlight that only the economic part was renewed of the above-mentioned agreement and the commencement of work on two National Equality Commissions. The first concerns flexibility in the workplace, work schedules and variation in duties, while the second relate to social security assistance in the sector, which clearly must take account of the Labour Market reforms which currently involve the Government and the Unions. It will be the Commission's responsibility to identify solutions to be incorporated into the contractual negotiations for the next renewal and the work is expected to be terminated by October 2012.

The economic increase when fully implemented will be 6.57% of which 0.30% from July 1, 2013. Therefore over the contractual period the expected increase will be 6.25%.

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In overall terms, when fully implemented, the increase will be Euro 131 gross monthly (4<sup>th</sup> level). In addition, to cover the year 2010, in replacement of the salary table adjustments, a one off payment will be recognised of Euro 650 gross, also for 4<sup>th</sup> level.

We recall that the understanding agreement must be ratified by the Executive Committee of Ania as well as the workers' assembly of the insurance company.

The probable charges deriving from the renewal of the CCNL trade union agreement, relating to the years 2011 and previous, are covered by an adequate provision in the present financial statements.

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## OUTLOOK

In the first months of 2012 the first signs of an improvement in the current management became apparent, which is testament to the initiatives implemented to recover profitability and strengthen the capital base. In particular, in the Motor TPL class the number of claims reported continue to contract as a result of the actions implemented in relation to the previous claims portfolio, fight against fraud and concerning tariff changes, undertaken in order to permit a better synthesis of the financial mutuality to the effective client risk, making the guarantees offered more competitive on a national level. In the Non-Life sector, the coming months will see a continuation of the actions taken to recover technical profitability.

In the Other Non-Life Classes, the underwriting policy will continue to be prudent and favour the retail client and the small-medium size business sector, while business in the municipalities and regions with particularly satisfying technical performances will be developed further. A catalogue of new products with increased protection for the client subject to greater economic volatility than the past will be gradually rolled out. The new products are aimed - through specific reform actions of the portfolio - at clients holding policies with guarantees no longer considered adequate.

In the Retail sector, the reform actions will be pursued further, while the portfolio mix will be restructured in the Corporate sector (policy discontinuations and reforms), in addition to a review of the underwriting criteria. With the assistance of the sales force, further marketing stimulus will be focused on the agencies.

In the Life class, the actions to improve the portfolio quality will continue, increasing the level of periodic premium Class I products (annual or recurring), which are more remunerative and engender client loyalty, creating therefore long-term value.

In relation to the Real Estate segment, investments will continue to be reduced, through an extensive review of the asset allocation and the development and sale of non-core assets.

In the Financial sector, improvements are expected in line with a gradual stabilisation of the financial markets. The financial management will focus on increased diversification in the medium term, together with a further gradual reduction in the weighting of government bonds, with potential increases in Corporate securities, although in a contained manner. In particular, in relation to Italian sovereign debt, after the serious crisis – particularly evident in the latter part of 2011 - there is a return of greater confidence among international investors, with the spread compared to the German Bund decreasing to around 300 basis points, compared to 500 at the end of 2011.

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The actions taken to contain operating costs will continue through a more stringent resource allocation plan, the reduction of overhead costs, the elimination of non essential services and the re-launch of leaving incentives for those who have fulfilled their pensionable requirements.

*Milan, March 26, 2012*

*For the Board of Directors*

Mr. Emanuele Erbetta

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## **Proposal to the Ordinary Shareholders' Meeting**

## PROPOSAL 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, 2011, which record a loss of Euro 1,020,368,449.80 – comprising a loss of Euro 178,641,359.08 in the Life Division and a loss of Euro 841,727,090.72 in the Non-Life Division.

We therefore propose to cover the 2011 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>Result for the year</b>	<b>(178,641,359.08)</b>	<b>(841,727,090.72)</b>	<b>(1,020,368,449.80)</b>
Utilisation of the Non-Life Division extraordinary reserve to partially cover the loss in the Non-Life Division		206,629,062.58	206,629,062.58
Utilisation of the Life Division extraordinary reserve to partially cover the loss in the Life Division	10,062,458.61		10,062,458.61
Utilisation of the Non-Life Division reserves for treasury shares to be purchased to partially cover the Non-Life Division loss		1,302,600.00	1,302,600.00
Utilisation of the Life Division reserves for treasury shares to be purchased to partially cover the Life Division loss	697,400.00		697,400.00
Util. the Non-Life Division reserves for holding company shares to be purchased to partially cover the Non-Life Division loss		130,260.00	130,260.00
Utilisation of the Life Division reserves for holding company shares to be purchased to partially cover the Life Division loss	69,740.00		69,740.00
Utilisation of the Non-Life Division merger gains reserve to partially cover the Non-Life Division loss		422,045.06	422,045.06
Util. of the Non-Life Division non exercised option rights share premium reserves to partially cover the Non-Life Division loss		2,750,191.26	2,750,191.26
Utilisation of the Life Division non exercised option rights share premium reserves to partially cover the Life Division loss	1,813,343.24		1,813,343.24
Utilisation of the Non-Life Division revaluation reserve to partially cover the Non-Life Division loss		172,200,702.63	172,200,702.63
Utilisation of the Life Division revaluation reserve to partially cover the Life Division loss	27,824,231.05		27,824,231.05
Utilisation of the Non-Life Division ex La Fondiaria Law 742/86 conferment reserve to partially cover the Non-Life Division loss		71,948,355.74	71,948,355.74
Utilisation of the Life Division ex La Fondiaria Law 742/86 conferment reserve to partially cover the Life Division loss	41,265,219.54		41,265,219.54
Utilisation of the share swap merger reserve of the Non-Life Division to cover the residual loss in the Non-Life Division		386,343,873.45	386,343,873.45
Utilisation of the share swap merger reserve of the Life Division to cover the residual loss in the Life Division	96,908,966.64		96,908,966.64
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>



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## **Appointment of the Board of Directors and related resolutions**

On the Shareholders' Meeting approval of the financial statements as at December 31, 2011 the three-year term of the Board of Directors mandated by the Shareholders' Meeting of April 24, 2009 expires.

We therefore invite you to resolve upon - in accordance with the provisions of law and regulations, as well as the company by-laws - the appointment of the Board of Directors for the years of 2012, 2013 and 2014 - and therefore until the approval of the financial statements for the year ended December 31, 2014. In accordance with article 13 of the company by-laws, which provides for a voting mechanism of slates, in order that, pursuant to current regulations, one director is elected by the minority.

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

We also recall in accordance with the company by-laws, that the slates containing the list of candidates must be filed at the registered office of the company in Turin, Corso Galilei 12, or through e-mail to the certified email address [gruppfondiarial-sai@legalmail.it](mailto:gruppfondiarial-sai@legalmail.it) at least twenty-five days before the date fixed for the Shareholders' Meeting in first call by shareholders which, alone or together with other shareholders presenting the slate, provide evidence of holding at least 2.5% of the share capital with voting rights at the ordinary shareholders' meeting.

Also in accordance with article 13 of the Company By-Laws, the shareholders wishing to present a slate must file, together with each list, (i) the declaration of the candidates accepting their candidature and which declare, under their own responsibility, the inexistence of any causes for ineligibility and of incompatibility, as well as the existence of the necessary requisites for the respective offices; (ii) a curriculum vitae containing the personal and professional characteristics of each candidate and whether they qualify as independent directors.

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

Also in accordance with Article 13 of the company by-laws 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.

Slates presented in violation of the above rule are considered null.

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

## **Resolutions on the remuneration of the Board of Directors**

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

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

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## **Appointment of the Board of Statutory Auditors and the Chairman for the years 2012/2013/2014 and determination of remuneration**

On the approval of the financial statements as at December 31, 2011, the three-year period of the Board of Statutory Auditors mandated by the shareholders' meeting of April 24, 2009 expires.

We therefore invite you to resolve upon - in accordance with the provisions of law and regulations, as well as the company by-laws - the appointment of the Board of Statutory Auditors and its Chairman for the years of 2012, 2013 and 2014 - and therefore until the approval of the financial statements for the year ended December 31, 2014 - with the prior determination of remuneration of the Board.

Article 24 of the company by-laws, provides for a voting mechanism of slates, in order that, pursuant to current regulations, one standing member and one alternate member of the Board of Statutory Auditors is elected by the minority slate and the Chairman of the Board is the standing member elected from that slate.

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

We also recall in accordance with the company by-laws, that the slates containing the list of candidates must be filed at the registered office of the company in Turin, Corso Galilei 12, or through e-mail to the certified email address [gruppofondiaria-sai@legalmail.it](mailto:gruppofondiaria-sai@legalmail.it) at least twenty-five days before the date fixed for the Shareholders' Meeting in first call, by shareholders which, alone or together with other shareholders presenting the slate, provide evidence of holding at least 2.5% of the share capital with voting rights at the ordinary shareholders' meeting.

Also in accordance with Article 24 of the Company By-Laws, the shareholders that wish to present a slate must file exhaustive information on the professional and personal characteristics of each candidate, the declarations in which each candidate accepts their candidature and declare, under their own responsibility, the inexistence of causes of ineligibility and incompatibility, as well as the existence of the regulatory and statutory requisites required to hold the office of statutory auditor and the list of offices held as director or statutory auditor in other companies.

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

Those presenting a “minority slate” must attach a declaration certifying the absence of any relationships contained in Article 144 of the CONSOB Issuers' Regulations with the shareholder who holds (or shareholders who hold jointly) a relative majority shareholding.

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

In the case in which at the deadline for the presentation of slates, only one slate has been filed, or only slates presented by the shareholders which are related in accordance with Art. 144 of the CONSOB Issuers' Regulations, slates may be presented until the third subsequent day; in this case the threshold for presentation of slates is reduced to 1.25% of the share capital with voting rights.

## **Remuneration policies in accordance with Article 123-ter of the Consolidated Finance Act and Article 6 of ISVAP Regulation No. 39/2011. Resolutions thereon**

We submit for your approval the remuneration policies of Fondiaria-SAI, approved by the Board of Directors in compliance with the existing provisions, and specifically:

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- CONSOB resolution No. 18049 of December 23, 2011, enacting Article 123-ter of the Consolidated Finance Act concerning the governance of issuers in relation to remuneration;
  - ISVAP Regulation No. 39 of June 9, 2011 concerning the remuneration policies of insurance companies (the “Regulation”) which enacts the European regulatory framework and provides the basis regulations for the sector, incorporating and elaborating upon the principles and standards agreed internationally as part of the measures adopted to guarantee the stability and functioning of the insurance system.

The new issues resulted in the adaptation of the existing remuneration policies by the approval date of the 2011 financial statements and the preparation of new personnel remuneration policies which will be submitted for your approval.

For these activities Fondiaria-SAI was assisted by a leading specialised and independent consultancy company, with extensive experience in the financial services sector.

In compliance with that established by the regulation, the remuneration policies of Fondiaria-SAI ensure the proper and prudent management of risk and concur with the strategic objectives, the profitability and the equilibrium of the company, ensuring its competitiveness within the market, also in relation to remuneration, in a period of extensive change.

The remuneration report in accordance with the above-stated regulation is attached to the Directors’ Report for the Shareholders’ Meeting.

## **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 0.647% of the entire share capital) - all ordinary shares (0.872% 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 2.720% of the ordinary share capital and 2.018% 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 0.327% of the ordinary share capital and 0.243% of the entire share capital.

The average unit carrying value of the ordinary shares held by the company was Euro 0.6194. The official market value of the ordinary share at March 14, 2012 was Euro 1.2912.

On April 28, 2012, the twelve-month period fixed by the Shareholders’ Meeting of the Company of April 28, 2011 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 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, on one or more occasions (and also for a period of 12 months from the date of the resolution) of the treasury shares currently held in portfolio, as well as those purchased following the Shareholders’ Meeting resolution.

The total number of ordinary treasury shares held by the Company must not at any time be greater than the ordinary treasury shares currently held, as indicated above. The Company therefore will purchase new ordinary shares only against the preceding sale of ordinary shares and for an amount of shares purchased not exceeding the amount of shares sold.

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

- in relation to the utilisation the objective is to achieve, where possible, positive results.
- in relation to the purchases – within the limits, as stated, of the shares sold - 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 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 ordinary treasury shares, for a maximum number equaling the number of treasury shares sold in the meantime, within the maximum amount however of Euro 500,000, and in accordance with the limits as per article 2357 of the civil code.

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

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

With regard to the sales, we propose the same:

- 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 IT system of Borsa Italiana 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 IT system of Borsa Italiana 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 number of treasury shares, also taking into account those held by subsidiary companies, may not exceed the number of shares in circulation. 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 existing at the date of the shareholders' meeting resolution, of the "Reserves for treasury shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 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

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the objective of the programme, with total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

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

### **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 unit carrying value of the ordinary shares of the parent company Premafin held by the Company was Euro 0.1248. The official market value of the share at March 14, 2012 was Euro 0.3586.

On April 28, 2012, the twelve-month period fixed by the Shareholders' Meeting of the Company of April 28, 2011 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, on one or more occasions (and also for a period of 12 months from the date of the resolution) of the Premafin parent company shares currently held in portfolio, as well as those purchased following the Shareholders' Meeting resolution.

The total number of ordinary shares of the direct parent company Premafin, held by the Company may not at any time exceed the amount of ordinary shares of the direct parent company currently held, as indicated above. The Company therefore will purchase new shares only against the preceding sale of shares and for an amount of shares purchased not exceeding the amount of shares sold.

The request of the renewal of the authorisation to purchase and sell shares of the direct holding company Premafin has the objective, with relation to the sale, the achievement of positive results and with regards to the purchase, to avail – within the limits, as stated, of the sales made - 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.

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 shares of the direct holding company Premafin, for a maximum amount of shares equal to the number of shares sold in the meantime, within the maximum amount however of Euro 300,000, and in accordance with the limits as per Article 2359 of the civil code.

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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.

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 applied also in the sale of shares (but not in the case of the sale of rights options concerning the share capital increases) of the parent company Premafin on the market.

In any case, in accordance with article 2359 bis, paragraph 3 of the civil code, the total number 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 number of shares in circulation 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 existing at the date of the shareholders' meeting resolution, of the "Reserves for holding company shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 300,000 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, with total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders' Meeting, 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 Report



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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.

With Decree No. 220 of November 11, 2011, the Economic Development Minister enacted the regulation of Article 147-*quinquies* of Legislative Decree No. 58/98 (hereafter “CFA”) as introduced by the Savings Law, and in relation to the provisions of the good standing and independence of corporate officers, including directors.

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 Chairman subsequently waived, on July 21, 2011, the powers attributed by the Board.

The functions, powers and responsibilities of the Board of Directors, of the Executive Committee and of the Chief Executive Officer are described in the introduction and 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.

With Decree No. 220 of November 11, 2011, the Economic Development Minister enacted the regulation of Article 147-*quinquies* of Legislative Decree No. 58/98 as introduced by the Savings Law, and in relation to the provisions of the good standing and independence of corporate officers, including members of the Boards of Directors.

The requirement of good standing 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.

Article 148, paragraph 3, of the CFA provides for some situations in which the election of the statutory auditor is not permitted or the exclusion from office.

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.

On March 22, 2011, Premafin Finanziaria S.p.A. and Unicredit S.p.A. signed an investment agreement in relation to the wider recapitalisation operation of the Fondiaria SAI Group in 2011. The objective of the agreement was to allow Premafin to strengthen the capital base of Fondiaria-SAI in 2011 and Unicredit to acquire a stable minority holding.

Premafin and Unicredit signed a shareholders' agreement, pursuant to Article 122 of the CFA, which would guarantee the maintenance of the dominant influence of Premafin and the conferment to Unicredit of rights typical for a minority financial shareholder, in relation to the corporate governance, to the members of the Board of Directors and to the circulation of the shares of Fondiaria-SAI.

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Palladio Finanziaria S.p.A. and Sator S.p.A. communicated to the market a shareholder agreement signed in accordance with the provisions of Article 122 of the Consolidated Finance Act, concerning the shares of Fondiaria-SAI “with the objective of a joint evaluation of the most appropriate method in the valuation of the reciprocal investments in Fondiaria-SAI, in order to contribute to the relaunch of the Issuer and sustain the capitalisation strengthening plans of Fondiaria-SAI”.

In accordance with that communicated to the market, the Agreement provides for some consultation obligations between the parties, but does not involve joint voting or block voting.

### **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 Fondiaria-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 3.4 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, covered at point 3.2.4 below.

The Board of Directors annually approves the work plan of the Audit department.

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

#### 1.2) Composition of the Board of Directors

The composition of the Board of Directors, unchanged at the current date compared to December 31, 2011 and which currently comprises of 18 members, is reported in the present report. 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.

The Board of Directors' meeting on August 2, 2011, in accordance with the shareholders' agreement relating to the investment in Fondiaria-SAI between Unicredit S.p.A. and Premafin Finanziaria S.p.A., appointed as replacement of the resigning Directors Messrs. Francesco Corsi, Giuseppe Morbidelli, Sergio Viglianisi, Messrs. Roberto Cappelli, Ranieri de Marchis and Salvatore Militello. Mr. Ranieri de Marchis and Mr. Salvatore Militello were also appointed to the Executive Committee.

On December 23, 2011, Ms. Giulia Maria Ligresti resigned from the offices of Vice Chairman, Director and member of the Executive Committee.

We recall that the Board of Directors nominated Salvatore Ligresti Honorary Chairman of the Company, inviting him to attend all the meetings of the Board and of the Executive Committee.

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

#### 1.3) Executive Committee

Pursuant to Article 18 of the By-Laws, the Board of Directors conferred to the Executive Committee, currently comprising 8 members, all the powers not attributed to the Chief Executive Officer, with the exception of those which by law or the company By-Laws are the exclusive remit of the Board of Directors or those stated below.

However, all deliberations in relation to the provision of non-insurance sureties in favour of third parties remain within the exclusive remit of the Board of Directors, in addition to operations with related parties as identified by the Board of Directors and the matters listed below, excluding in each case, all operations of ordinary administration within the insurance business:

- a) approval of the business plan, budgets and their modifications and/or updates (also at consolidated level);
- b) any acquisition and sale of companies, business units or other fixed assets, including investments, whose value, for each individual operation or for a series of related operations (i.e. functional to the realisation of the same operation), of above Euro 30 million;

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- c) any acquisition and sale of buildings whose value, for each individual operation or for a series of related operations (i.e. functional to the realisation of the same operation), of above Euro 15 million;
  - d) signing of tender contracts in the real estate sector which result in the commitment of the company of an amount above Euro 15 million for each contract or series of related contracts (functional to the realisation of the same operation);
  - e) obtaining of loans above Euro 50 million for each operation;
  - f) signing of any other contract and/or agreement (including the provision of guarantees), which involves a commitment for the Company of an amount greater than Euro 35 million for each transaction or within the financial year;
  - g) any operation relating to the companies of the Group which result in exceeding the same thresholds as per the preceding points.

In relation to the operations at letters b), c), d) and e), where the value is not above that indicated, the operations are within the powers of the CEO, while where the value is above, the powers are within those of the Board of Directors.

In relation to the operations at letter f), the powers are devolved as follows:

- where the value is not above Euro 15 million: Chief Executive Officer
- where the value is above Euro 15 million, but not above Euro 35 million: Executive Committee
- where the value is above Euro 35 million: Board of Directors

The above limits are also applied where the operation is completed within a single operation by a number of companies of the Group of the Parent Company, in that for the purposes of these thresholds, the amounts of the individual operations must be considered together.

The following matters are the exclusive remit of the Board of Directors:

- a) proposals to the Shareholders' Meeting (or decisions reserved to the Board of Directors) relating to operations which have the effect to dilute the holdings of the shareholders of the Company;
- b) proposals to the Shareholders' Meeting (or decisions reserved to the Board of Directors) relating to mergers, transformations, spin-offs and liquidations, as well as any other extraordinary operation (including acquisitions, sales and other operations which result in significant modifications to the activities undertaken by the Group) relating to the Company and to the Group, of a value above Euro 150 million for each operation or series of related operations.

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

As indicated elsewhere in the current accounts, the Executive Committee is currently composed of 8 members, amongst which are the Chairman, two Vice Chairmen and the Chief Executive Officer. The current composition has remained unchanged compared to December 31, 2011.

The Board of Statutory Auditors are called to attend Executive Committee meetings.

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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.

The Board of Directors has delegated 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;
- signing of real estate contracts involving the undertaking of commitments by the company of over Euro 15 million for each contract;
- sale and/or acquisition of investments, enterprises, business units or fixed assets (other than the buildings mentioned above) of over Euro 30 million for each transaction;
- sale and/or acquisition of majority shareholderings;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties;
- signing of any other contract and/or agreement, other than those included in the preceding points, which involves a commitment for the Company of an amount greater than Euro 15 million for each transaction.

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 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.

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#### 1.5) Chairman of the Board of Directors

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

#### 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.

On April 28, 2011, the Board also approved to attribute to the Vice Chairman Mr. Pini, in addition to the powers attributed by the Board in the meeting of February 22, 2011, further powers, and similarly with consultation functions, concerning the management of relations with the various authorities and the research on the market of parties potentially interested in the acquisition of non-strategic assets, together with the Chief Executive Officer.

#### 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 2011:

- the Board of Directors met 22 times, with an average duration of the meeting of two hours and 32 minutes;
- the Executive Committee met 2 times, with an average meeting duration of one hour and 20 minutes.

It is expected that a similar number of meetings will take place in 2012. At the date of the present report, 4 Board of Directors meetings had been held in 2012 and no Executive Committee meetings had been held.

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#### 1.8) Non-executive and independent directors

Other than the Chief Executive Officer – with executive powers of the Company attributed by the Board – no other director is considered as an executive director. In particular, it is noted that – compared to the previous corporate governance reports – the Vice Chairman Mr. Antonio Talarico and the Director Gioacchino Paolo Ligrisi are no longer considered executive directors, as they no longer have delegated powers in the company Immobiliare Lombarda S.p.A., which manages the real estate assets of the Company and of the Group.

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

In accordance with the definitions contained in the new Code, the non-executive independent directors are: Mr. Andrea Broggin, Mr. Roberto Cappelli, Ms. Valentina Marocco, Mr. Enzo Mei, Mr. Salvatore Militello and Mr. Cosimo Rucellai. The Board considers, in fact, they 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 2010, 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. In particular, the Board of Directors' meeting of January 29, 2012 approved that, for the purposes of the evaluation of the independence of a director, consideration should be taken of any annual fees for professional services provided to the Fondiaria SAI Group exceeding 5% of annual turnover of the Enterprise or of the Body in which the director has control or is a significant member or a partner or shareholder of a Professional or Consultancy Firm or in any case, the amount of Euro 200,000.

The Board made similar verifications with reference to independence pursuant to article 148, paragraph 3, of the Consolidated Finance Act, introduced by the Savings Law.



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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.

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. Any such activity is reported in the list of offices held by each director in other companies.

Although a lead independent director has not been appointed, we highlight that Mr. Salvatore Militello was appointed the Lead Coordinator of the Internal Control Committee and of the Remuneration Committee, of which reference should be made below.

To date, there have been no formal meetings of the independent directors in the absence of the other directors. 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.

It is also reported that the Board of Directors' meeting of December 12, 2011 - in resolving on further investigating the possible initiatives to be proposed to the Board in relation to the capital strengthening of the company, in the short term, with the assistance of the financial adviser Goldman Sachs – also resolved to appoint a committee of five independent directors and, specifically, Mr. Cappelli, Mr. Comoli, Ms. Morocco, Mr. Mei and Mr. Militello, and – together with the management – to collaborate with the adviser Goldman Sachs, undertaking detailed examination, including through discussions of the action to be taken with the adviser. A similar committee was set up by the Board in the meeting of December 12, 2011, with the right – together with the management – to discuss with the adviser the proposed integration operation with the Unipol Group. This committee is composed of four independent directors and, specifically, Mr. Cappelli, Ms. Morocco, Mr. Mei and Mr. Militello.

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.

The directors will be requested to evaluate their positions following the entry into force of Decree Law No. 201/2011, converted with modifications by Law No. 214/2011, which introduces at Article 36 incompatibility for holders of offices on the boards and senior management or group companies operating in the credit, insurance and financial markets.

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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 15, 2012 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: SAI HOLDING ITALIA S.p.A.

Director: ASSONIME Associazione fra le società italiane per azioni  
ITALMOBILIARE S.p.A.  
MEDIOBANCA S.p.A.  
MILANO ASSICURAZIONI S.p.A.  
RCS MediaGroup S.p.A.

**Massimo PINI**

Chairman: ADR Advertising S.p.A.  
Shareholder Agreement - GEMINA S.p.A.

Vice Chairman: GEMINA S.p.A.

Director: FINADIN S.p.A.  
IMPREGILO S.p.A.  
MILANO ASSICURAZIONI S.p.A.

Management Board member of: Shareholder Agreement - RCS

**Antonio TALARICO**

Chairman: FINADIN S.p.A. Finanziaria di Investimenti  
IMMOBILIARE FONDIARIA-SAI S.r.l.  
IMMOBILIARE MILANO ASSICURAZIONI S.r.l.  
MARINA DI LOANO S.p.A.

Vice Chairman: IMPREGILO S.p.A.  
IMMOBILIARE LOMBARDA S.p.A.  
SAIAGRICOLA S.p.A.

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

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**Emanuele ERBETTA**

Chairman: EUROSAI S.r.l.

Chief Executive Officer: MILANO ASSICURAZIONI S.p.A.

Director: AUTO PRESTO & BENE S.r.l.  
LIGURIA ASSICURAZIONI S.p.A.

**Andrea BROGGINI**

Chairman: KASTOR AG  
STUDIO LEGALE BROGGINI S.A.  
SAN VITTORE S.r.l.

Director: FEDERAZIONE DELLE COOP. MIGROS  
KNORR-BREMSE Systeme für Schienenfahrzeuge GmbH  
LEERINK SWANN HOLDINGS, LLC  
POLLUX FUNDS AG

**Roberto CAPPELLI**

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

**Maurizio COMOLI**

Chairman: CHIARANTE S.r.l.  
CIM S.p.A.  
M.A.M. S.r.l.

Vice Chairman: BANCO POPOLARE Scarl

Director: CROSSTEC S.r.l.  
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l.  
LA SORGENTE NOVARESE SS

Chairman of the  
Board of Statutory Auditors: BASTOGI S.p.A.  
DE AGOSTINI SCUOLA S.p.A.  
MIRATO S.p.A.  
SIRTEC NIGI S.p.A.

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Statutory Auditor: BRIOSCHI SVILUPPO IMMOBILIARE S.p.A.  
LORO PIANA S.p.A.  
PPG UNIVER S.p.A.

**Carlo d'URSO**

Vice Chairman: IMMSI S.p.A.

Director: F.C. INTERNAZIONALE MILANO S.p.A.  
GRUPPO BANCA LEONARDO S.p.A.  
SIA BLU S.p.A.  
STILO IMMOBILIARE FINANZIARIA S.r.l.  
SNAI S.p.A.

**Ranieri de MARCHIS**

Chairman: UNICREDIT AUDIT S.c.p.a.

Vice Chairman: FONDO INTERBANCARIO DI TUTELA DEI DEPOSITI

Director: FINECOBANK S.p.A.  
KOC FINANSAL HIZMETLER AS  
YAPI VE KREDI BANKASI AS  
UNICREDIT TIRIAC BANK S.A.

Statutory Auditor: BAYERISCHE HYPO UND VEREINSBANK AG  
BANK BPH SA

**Vincenzo LA RUSSA**

Director: METROPOLITANA MILANESE S.p.A.

Statutory Auditor: INCOSA S.r.l.

**Gioacchino Paolo LIGRESTI**

Chairman: IMMOBILIARE LOMBARDA S.p.A.  
S.R.P. SERVICES S.A.  
SAIAGRICOLA S.p.A.  
SAINT GEORGE CAPITAL MANAGEMENT S.A.  
STAR MANAGEMENT S.r.l.  
FONDAZIONE BAMBINI INSIEME Onlus

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Vice Chairman: ARTNETWORK S.r.l.  
ATAHOTELS S.p.A.  
BANCA SAI S.p.A.  
MILANO ASSICURAZIONI S.p.A.  
MARINA DI LOANO S.p.A.  
SAI INVESTIMENTI SGR S.p.A.  
FONDAZIONE GIOACCHINO JONE LIGRESTI

Director: ALITALIA COMPAGNIA AEREA ITALIANA S.p.A.  
FINSAI INTERNATIONAL S.A.  
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: SIAT S.p.A.

Chairman: PRONTO ASSISTANCE S.p.A.  
PRONTO ASSISTANCE SERVIZI S.c.r.l.

**Valentina MAROCCO**

Director: OFFICINE MECCANICHE GIOVANNI CERUTTI S.p.A.  
FLEXOTECNICA S.p.A.  
CERUTTI PACKAGING EQUIPMENT S.p.A.  
CASTELLO DI RIVOLI, Museo di Arte Contemporanea

Statutory Auditor: FONDAZIONE MARCO RIVETTI Onlus

**Enzo MEI**

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

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

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**Salvatore MILITELLO**

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

**Cosimo RUCELLAI**

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

**Salvatore SPINIELLO**

Chairman: CAMPO CARLO MAGNO S.p.A.  
CARLO COLOMBO S.p.A.

Sole Director: G.B. & CO S.R.L.  
G.B.H. S.P.A.  
STELLINA 10 S.r.l.

Director: ITALTEL S.p.A.  
ITALTEL GROUP S.p.A.  
JV COPPER S.p.A.

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

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.

**Graziano VISENTIN**

Director: 21 INVESTIMENTI SGR S.p.A.  
ALERION CLEAN POWER S.p.A.  
INDUSTRIA E INNOVAZIONE S.p.A.  
STEFANEL S.p.A.

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Chairman of the Board of Statutory Auditors:	CREDIT AGRICOLE VITA S.p.A. HOLDCO AFRODITE S.r.l. RGI S.p.A. SINERGIE ITALIANE S.p.A.
Statutory Auditor	ALITALIA COMPAGNIA AEREA ITALIANA S.p.A. CENTOMILACANDELE Scpa COIN S.p.A. COIN FRANCHISING S.p.A. COSI S.p.A. EUROSTAZIONI S.p.A. FEDRIGONI S.p.A. HINES ITALIA SGR S.p.A. INA ASSITALIA S.p.A. ISTITUTO EUROPEO ONCOLOGIA S.r.l. OVIESSE S.p.A. OVIESSE FRANCHISING S.p.A. QUADRIVIO SGR 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.

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.

#### 1.10) Appointment of the directors

In 2011, 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.

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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 148, paragraph 3, 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, 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.

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

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

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

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



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#### 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 of Directors' meeting of March 23, 2011 resolved, with prior approval of the Remuneration Committee and of the Board of Statutory Auditors, the allocation to the Chief Executive Officer, already with an employment contract with the Company, of an annual gross remuneration for his office comprising a fixed remuneration, including a fee for the office of Director and member of the Executive Committee, and a variable remuneration on the achievement of determined results.

In 2011 no bonuses were paid to directors as remuneration in relation to activities carried out.

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.

The Remuneration Report pursuant to CONSOB resolution No. 18049 of December 23, 2011 was also made available to the public, with reference to the remuneration of the Board of Directors, general managers and senior management. In relation to remuneration, the Company is also subject to the regulations of the insurance sector ISVAP Regulation No. 39 of June 9, 2011, concerning, among other matters, the remuneration policies of the directors, of the boards and of employees whose activities may have a significant impact on the risk profile of the company.

#### 1.12) Stock options plans

On April 28, 2011 the period expired for the assignment pursuant to the extraordinary shareholders' meeting of April 28, 2006, by the Board of Directors of Fondiaria-SAI of options under 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 management, the stock option plan related 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 took 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 exercise of the stock options by beneficiaries is summarised in the relevant table of the current financial statements.

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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 contributed – 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:

- undertake consultation and propose activities in the definition of the remuneration policies of the directors and staff, also with reference to stock option plans;
- presents proposals to the Board of Directors on the remuneration of executive directors and other directors holding particular offices as well as establishing the performance objectives related to the variable component of this remuneration; monitors the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance objectives;
- periodically evaluate the adequacy, the overall compliance and the application of the general remuneration policy of executive directors, other directors with particular offices and staff, utilising the information provided by the Chief Executive Officer and draws up for the Board of Directors related proposals;
- verify the division of the remuneration among the executive directors (where more than one) and compared to the staff of the company;
- Supervises the realisation of the stock option plans, also proposing to the Board, where necessary, modifications to the plan regulations.

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 November 29, 2011, the Remuneration Committee has comprised five directors, non-executive and the majority of which independent, in the persons of Mr. Salvatore Militello (lead coordinator), Ms. Jonella Ligresti, Ms. Valentina Marocco, Mr. Enzo Mei and Mr. Graziano Visentin.

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In 2011, the Committee met 8 times with an average meeting duration of 47 minutes. During 2012, the Committee has met once to date.

#### 1.14) Significant transactions with related parties

The Board of Directors approved, since May 2005, specific conduct principles for the undertaking of significant transactions and transactions with related parties, including inter-group transactions. Even before the entry into force of CONSOB Regulation No. 17221 of March 12, 2010 (hereafter: CONSOB Regulation), 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)*

It is 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.

Therefore operating procedures were implemented 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.

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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 operation.

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 CONSOB Regulation.

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

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

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

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

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

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

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

The threshold is reduced to 2.5% for transactions with the 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.

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

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

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

In addition to identifying transactions with related parties which may be considered as less significant transactions in accordance with the CONSOB Regulation, the above-mentioned principles also identify transactions with related parties which, although classified as less significant, are subject to obligations by subsidiary companies, 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.

The Board of Directors' meeting of December 23, 2011, with prior consultation of the independent directors' committee specifically appointed, approved some amendments and supplementation to the above-mentioned principles, to take into account some internal organisational modifications to the Group during the year and the operational experiences matured in the first application phase. The revised document, published on the internet site of the Company, is operational from January 1, 2012.

In particular, the document approved by the Board of Directors' meeting of December 23, 2011 takes into account the recent creation, by the Board meeting of August 2, 2011, of a specifically created organisational unit, called "Inter-group Activity Unit", with the responsibility to review and monitor the transactions with related parties, assisting the departments concerned, before, during and after their execution, with the specific duty to evaluate, case by case, the situations of conflicts of interest, and to assure that the approval process of these transactions are in line with the procedures adopted by the Board of Directors, in conformity with laws and regulations in force, and verifying the execution of such transactions are in accordance with that approved by the Board.

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The Inter-group Activity Unit also has the duty to support the Internal Control Committee, the Remuneration Committee and the Board of Statutory Auditors, for their respective duties, with reference to their responsibilities contained in current regulations and/or by the Board of Directors concerning transactions with related parties, as well as all other boards called to undertake their activities with reference to the transactions in question.

This Unit reports hierarchically and functionally to the Chief Executive Officer and is attributed the following duties:

- a) guarantee adequate procedures for transactions with related parties, ensuring that the approval process is in line with the “Conduct principles for undertaking significant operations and procedures for transactions with related parties” as well as the “Guidelines for inter-group operations” pursuant to Article 6, paragraph 4, of ISVAP Regulation No. 25/2008;
- b) ensure that the procedures for the transactions take into consideration all aspects required by internal regulations, and in particular:
  - the reasons and the interests of the Company in the transaction;
  - the strategic and industrial importance;
- c) ensure that all parties concerned in the evaluation of the underlying risks to the transaction and the relative impacts are involved in the procedures, also in terms of current and future liquidity needs;
- d) monitor the execution phase of the transactions with related parties, including the payment method, verifying the correct implementation of the procedural steps defined by the procedures adopted and those established in the approval phase;
- e) monitor the risk of conflicts of interest for the Company in undertaking transactions with related parties;
- f) assist the Company in the control of the procedures to comply with the “Conduct principles for undertaking significant operations and procedures for transactions with related parties” and the “Guidelines for inter-group operations”, and all related party transactions of the Company and its subsidiaries;
- g) assist the Company in complying with ISVAP Regulations No. 25/2008 in relation to the annual approval by the Board of Directors concerning the guidelines for the undertaking of inter-group operations, verifying the consistency between the provisions of the resolution and the subsequent activities undertaken;
- h) assist the General and Corporate Secretary in the procedure to update the list of related parties.

The Inter-group Activity Unit is also responsible for the Register of the transactions with related parties.

The principal amendments to the revision of the “Conduct principles for significant transactions and with related parties” concern, in addition to the creation of the Inter-group Activity Unit, the expansion on the section on related parties, with the introduction, among the senior management, of the members of the Supervisory Board pursuant to Legislative Decree No. 231/2001 and the actuaries appointed by the Company in accordance with current regulations. Also expressly included among related parties are professional partnership firms in which a party is already a related party of the company, limited to those professional partnership firms in which the related party has a majority stake or in any case is able to exercise a significant influence based on his personal profile or income generated for the firm.

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Finally a specific internal procedure was formalised which defines the time limits, content and communication method of the data to update the list of the related parties, of the operational procedures as well as inclusion in the register for transactions with related parties.

## **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 Audit Department and participate at the meetings of the Internal Control Committee for the reciprocal exchange of information of common interest.

In 2011, the Board of Statutory Auditors met 25 times with an average duration of approx. three hours. It is expected that a similar number of meetings will take place in 2012. Currently, the Board of Statutory Auditors has met four times in 2012.

The Board of Statutory Auditors in 2011 attended 14 meetings of the Internal Control Committee, 8 meetings of the Remuneration Committee and all of the Board of Directors' and Executive Committee meetings and the shareholders' meetings.

### **2.2) Appointment of the Board of Statutory Auditors**

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

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



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

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

The offices of director or statutory auditor held by the standing members of the Board of Statutory Auditors in other listed companies on regulated markets, also abroad, in financial, banking and insurance companies or companies of significant size are reported below.

**Benito Giovanni MARINO**

Director: ITALIAN HIGHTECH ENERGY S.r.l.

Chairman of the  
Board of Statutory Auditors: BANCA SAI S.p.A.  
FINANZIARIA SACCARIFERA ITALO-IBERICA S.p.A.  
INTERNATIONAL STRATEGY S.r.l.  
MIFIN S.r.l.  
SAI MERCATI MOBILIARI SIM S.p.A.  
SIAT S.p.A.  
SILENT GLISS ITALIA S.p.A.  
SILENT GLISS MEDIT S.p.A.  
TAVOLA S.p.A.

Statutory Auditor: CHEF ITALIA S.p.A.  
POPOLARE VITA S.p.A.



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**Antonino D'AMBROSIO**

Sole Director: INGENERA S.r.l.

Chairman of the  
Board of Statutory Auditors: EUROPROGETTI S.r.l.  
FINADIN S.p.A.  
FIUMICINO TRIBUTI S.p.A.  
GRASSETTO COSTRUZIONI S.p.A.  
I.C.E.IN. S.p.A.  
I.F.I.CEN. S.p.A.  
IMPR. A. BRAMBILLA S.p.A. – In liquidazione  
IM.CO. IMMOBILIARE COSTRUZIONI S.p.A.  
NUOVE INIZIATIVE TOSCANE S.r.l.  
SINERGIA HdP S.p.A.  
SOCIETA' AGRICOLA TENUTA CESARINA S.r.l.  
AZIENDA AGRICOLA S. LUCIA S.r.l.

Statutory Auditor: FIDESPERT S.p.A.  
FONTI E TERMINE D'ITALIA S.p.A. – In liquidazione  
INIZ. NUOVA EDILIZIA S.p.A.  
PREMAFIN FINANZIARIA S.p.A.  
RAGGRUPPAMENTO FINANZIARIO S.p.A.  
SAI MERCATI MOBILIARI SIM S.p.A.

**Marco SPADACINI**

Director: A. MONDADORI EDITORE S.p.A.  
COMPAGNIA FIDUCIARIA NAZIONALE S.p.A.

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

Chair - Board of Stat. Auditors: AMBI S.p.A.  
APPLE S.p.A.  
APPLE ITALIA S.p.A.  
ATLANTIA S.p.A.

Statutory Auditor: AXA ASSICURAZIONI S.p.A.  
CENTURION IMMOBILIARE S.r.l.  
EXPO 2015 S.p.A.

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### 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.

The Board, in accordance with that stated by regulation No. 20 of ISVAP, annually examines and approves the following documents, which are then 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.

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### 3.2) Control procedures utilised

#### 3.2.1) *Line control*

Within the Fondiaria-SAI Group, the undertaking of the activities and the relative procedures provide for control by the individual operating units (so-called “line control” or ‘First level”), as well as by the managers of each unit.

Within the “line controls”, the “Process Owners” and the “Risk and Controls Managers” assume importance. Specifically, the “Process Owner”:

- has the responsibility to oversee their own business processes;
- has the responsibility of the analysis and monitoring of the risks related to their processes in accordance with the company policies (including the internal declaration for the Executive Responsible for corporate documents);
- has responsibility for the management of the impacts deriving from the risks of his processes and the implementation of any mitigation action to reduce the exposure to risk;
- has responsibility of the impacts deriving from the risks of the process for which they are responsible outsourced to third parties and for which they have the duties to supervise;
- must integrate the analysis of the risk into the decisional processes.

The “Risks and Control” Manager:

- hierarchically reports to his department and functionally to the Risk Management department;
- is the contact person between Level 1 and Level 2 controls;
- undertakes support activities to the “Process Owners” to protect the business processes, collect data and analyse the risks, monitor the risks, manage the mitigation actions of the risks, and prepare periodic reporting;
- undertakes a methodology based on the consolidated census criteria of Basilea II and Solvency II with the objective to guarantee coverage of all risk events and evaluate them in relation to the existence and quality of the relative controls.

The risk and control management system, in conjunction with the activity undertaken by the line controls department, is represented by the Audit, Compliance and Risk Management Departments which are hierarchically independent from the operating departments and reports functionally and hierarchically to the Board of Directors. Also the “Solvency II” directive attributes to these departments, together with the actuarial functions, a key role in the overall governance.

It is recalled that during 2011, the Company undertook a review of the Audit, Compliance and Risk Management departments, in order to identify, where necessary, appropriate corrective actions of both an organisational and procedural nature. Within this activity, the Company utilised the services of external consultants to provide professional assistance in the undertaking of the following principal activities:

- an overview of the current situation;
- the identification of the objective model and the principal current gaps with this model;
- the definition of the action plan to be implemented compared to the gaps identified, with relative identification of duties, responsibilities and deadlines;
- the monitoring of the actions programmed.

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In addition, in 2011, as outlined at point 1.14 above, the Board of Directors of Fondiaria-SAI approved the creation of a new organisational unit, the Inter-group Activity Unit, reporting to the Chief Executive Officer.

### 3.2.2) *Risk Management Department*

The monitoring of risks is covered by the 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;
- monitor the Group and individual companies' risk management system in accordance with the scope approved by the Board of Fondiaria-SAI;
- identify, evaluate and control the most significant risks, among which risks of subscription, reservation, market, credit, liquidity and operating undertaking, among others, the activities as per ISVAP Regulation No. 20 of March 26, 2008, and Directive 138/2009 adopted by the European Parliament on April 22, 2009;
- define the coordination procedures between the companies of the Group and the parent company Risk Management department in order to ensure a coherent implementation of the risk management system at Group level, periodically verifying its functioning;
- define the policies for a correct application of the Data Quality principles;
- coordinate with the other departments the preparation of the report on the control and the management of the risks in accordance with the reporting requirements established by the supervision boards;
- responsibility within the adoption of the internal model assigned pursuant to EU Directive 138/2009;
- attend the meetings of the Coordination Committee of the Control Functions with the objective to exchange all necessary information for the undertaking of the relative duties;
- ensure control of the processes within their area of responsibility, including those outsourced to third parties and on which they have responsibility to supervise, with particular regard to the analysis and constant monitoring of the related risks, guaranteeing the management of the impact on the processes deriving from the risks.

The 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 reports directly and exclusively, both hierarchically and functionally, to the Board of Directors. It operates on behalf of all the insurance companies of the Fondiaria SAI Group and for all of the subsidiaries which have signed a specific service contract with the exception of Milano Assicurazioni and its direct subsidiaries.

Until December 20, 2011 the Risk Management function was undertaken at Group level by Fondiaria SAI also for Milano Assicurazioni and its direct subsidiaries, with a centralised department head, in execution of a full outsourcing contract between the Company and Milano Assicurazioni. From December 20, 2011, the Board of Directors of Milano Assicurazioni appointed its own head of the Risk Management department. Milano Assicurazioni will outsource to the parent company Fondiaria-SAI these activities.

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Fondiaria SAI Group has for some time implemented and adopted specific guidelines for the management of risks and for the decision-making process relating to new investments (so-called Group Risk Policy), in order to:

- formalise the Risk Governance of the Group;
- 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.

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 idiosyncrisies and possible restrictions in relation to risk tolerance.

Therefore within the Fondiaria SAI Group an adjustment programme to Solvency II is underway which provides for the constant monitoring of the impacts of the new solvency regulations, both at the level of the standard formula and of the internal model, whose development is considered particularly important for the advantages which can be derived in strategic, governance and capital management terms.

In July 2011, the Fondiaria SAI Group updated the “Solvency II Project”, in line with that declared in the July 2010 resolution for the formal request of admission to the pre-application process for its internal model. Within this update, undertaken in order to ensure constant alignment of the Programme to the finalisation process of the Solvency II regulation, the Fondiaria SAI Group also redefined the application scope of its internal model assuming as benchmark the matters highlighted in the Quantitative Impact Study 5 (QIS 5).

Therefore in the request for admission of the pre-application of the internal model, the exact definition of the application scope of the model was based on the experiences gathered in the compilation of the QIS 5 for all of the insurance companies of the Group.

From the comparative analysis of the risk estimates obtained from the standard formula and from the internal model, the possibility emerged not to consider the use of the internal model for some specific business classes. In view of this consideration, some companies were excluded, at least initially, from the scope of application of the internal model, whose business is concentrated on specific classes and for which the internal model requires adjustment and customisation.

### 3.2.3) *Compliance Department*

Risks concerning non-compliance with regulations are the duty of the 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;

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- 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 reports directly and exclusively, both hierarchically and functionally, to the Board of Directors.

Until January 23, 2012 the Compliance function was undertaken at Group level by Fondiaria SAI also for Milano Assicurazioni and its direct subsidiaries, with a centralised department head, in execution of a full outsourcing contract between the Company and Milano Assicurazioni. From January 23, 2012, the Board of Directors of Milano Assicurazioni appointed its own head of the Compliance department. Milano Assicurazioni will outsource to the parent company Fondiaria-SAI these activities.

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.

#### 3.2.4) *Audit Department*

The monitoring and evaluation of the efficiency and effectiveness of the internal control system and necessary modifications is undertaken by the Audit department, reporting to the Board of Directors of Fondiaria-SAI and of the subsidiaries for which it undertakes internal audit. 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.

For the companies of the Group with their own Audit function, the department principally undertakes the function of direction, defining the coordination procedures including disclosure in relation to monitoring and valuation of the effectiveness and efficiency of the internal control system.

The Audit department annually prepares the Audit Plan for the Parent Company and for the subsidiaries for which it undertakes internal audit activities, on an independent analysis of the risks, also considering the ongoing monitoring results undertaken by the Risk Management Department. The work plan of the Audit department is approved annually by the Board of Directors of Fondiaria-SAI and the other Group companies. The Group Audit Department is provided with appropriate means and undertakes their activity in an autonomous and independent manner reporting to the Board of Directors of Fondiaria-SAI, and do not report to any operating area managers. This function, in the undertaking of its activities, coordinates with the Internal Control Committee, with the Board of Statutory Auditors, and with the executive responsible for the preparation of the corporate accounting documents pursuant to Article 154-*bis* of the CFA (hereafter: the “Executive Responsible”) and with the independent audit firm of the Company.

Until December 20, 2011 the Audit function was undertaken at Group level by Fondiaria SAI also for Milano Assicurazioni and its direct subsidiaries, with a centralised department head, in execution of a full outsourcing contract between the Company and Milano Assicurazioni. From December 20, 2011, the Board of Directors of Milano Assicurazioni appointed its own head of the Audit department. Milano Assicurazioni will outsource to the parent company Fondiaria-SAI these activities.

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The department reports on its Internal Audit Activities to the Board of Directors, the Internal Control Committee and the Board of Statutory Auditors of the Parent Company and of the subsidiary companies.

The managers of the operating areas of the business must ensure that the 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.

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 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.

### *3.2.5) Control Co-ordination Committee*

The Board of Directors' meeting of July 21, 2011 approved, pursuant to Article 17 of ISVAP Regulation No. 20/2008, ("Collaboration between functions and boards of control"), the creation of the Control Co-ordination Committee which includes, in addition to the department heads of Audit, Compliance and Risk Management, also the Board of Statutory Auditors (through its Chairman), the Internal Control Committee (through its Lead Coordinator), the Supervisory Board as per Legislative Decree No. 231/01 (through its coordinator) and the actuary appointed, as well as the head of the Inter-group Activity Unit, with the involvement, where necessary, of the independent audit firm.

The coordination of this Committee, which must only refer to the organisation and the proceedings of the meetings of the Committee in accordance with the relative agenda, without any powers on the activities of the other control functions, which remains in full, exclusive and autonomous responsibility of the individual functions, is the responsibility of the Risk Management Department.

This Committee, during its periodic meetings, permits the collaboration between various control functions, pursuant to the ISVAP Regulation mentioned above, through the exchange of all necessary information for the undertaking of their relative duties.

### 3.3) ISVAP Regulation No. 36 of January 31, 2011

The Board of Directors' meeting of May 14, 2011, in accordance with the requirements of ISVAP Regulation No. 36 of January 31, 2011 concerning the guidelines on investments and coverage of the technical reserves for insurance companies, approved a document called "Investment policy and risk management", which defines the organisational and governance model and management processes of investments and relative risks, undertaken by the relative functions of the Fondiaria-SAI Parent Company and which defines, at Group level, the guidelines to be followed for all insurance companies in Italy belonging to the Fondiaria-SAI Group. The objective of this document is to formalise the guidelines on the investment of the Group as well as the risk management strategy deriving from this investment activity. In particular the document describes the principles and strategies of the investment management, the principles and the strategies of the risks related to the investments and the organisational and governance model of the investments and the relative risks at Group level.



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In the same meeting, the Board approved the document called “Investment framework” in relation to the Company. The objective of this document, taking into consideration the contents of the above-mentioned document, is to define the guidelines and limits relating to the investment portfolio of the Company, as well as the organisational and governance model of the investments and of the risks, with regard to the specific structure of the assets of the Company, in order to manage the risk in line with the Group risk tolerance.

Within the governance model, two new committees were set up at Group level, the “Parent Company Investment Committee” and the “Parent Company Risk Committee”.

The Board of Directors – within a wider risk governance model, with the objective of achieving an integrated vision of the risks, in line with the future Solvency II regime – subsequently, in the meeting of November 10, 2011, approved the creation of a Non-Life Committee of the Parent Company as well as the review of the duties of the Risks Committee of the Parent Company and Investment Committee of the Parent Company as outlined in the Board resolution of May 14, 2011 and the consequent approval of the new documents “Investment and risk management policy” and “Investment framework”.

The duties outlined in the Board of Directors’ meeting of November 10, 2011 are reported in detail below, for the above-mentioned three committees, with the function to present proposals to the Chief Executive Officer and the Board of Directors.

In view of the recent appointment of the managers of the control functions of the subsidiary Milano Assicurazioni, the name was changed of the Parent Company Management Committee (Risk Committee, Investment Committee, Non-Life Committee) to Management Committees of the Parent Company Fondiaria-SAI and Parent Company Milano Assicurazioni and the composition of the three committees was extended to include as permanent member the manager of the Risk Management function of Milano Assicurazioni. On the basis of this organisational structure, for the matters relating to Milano Assicurazioni and its direct subsidiaries, separate information will be provided in the minutes of the meetings and the meetings will include the participation, on invitation, of the person responsible for the coordination with the parent company nominated by each company. The objective of this organisational structure is to contemplate the need for rationalisation and efficiency at Group level, avoiding duplication, with the need to protect the specific problems of Milano Assicurazioni.

The Risk Committee of the Parent Company Fondiaria-SAI and of the parent company Milano Assicurazioni have the following duties:

- support the Chief Executive Officer and Board of Directors in defining the Guidelines for the risk management;
- support the Chief Executive Officer and the Board of Directors in the approval of the valuation and risk management models;
- support the Chief Executive Officer and the Board of Directors in monitoring and definition of the mitigation action;
- monitor compliance with the limits defined and of the Risk Tolerance at Group level and of the individual companies; receive reports from the Risk Management Department;
- propose the adjustment measures and mitigation strategies or transfer of the risks underwritten, to be presented for approval by the Board of Directors;
- support the Chief Executive Officer and the Board of Directors in the evaluation of the stress tests.



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The Investment Committee of the Parent Company Fondiaria-SAI and the parent company Milano Assicurazioni have the following duties:

- support the Chief Executive Officer and the Board of Directors in the definition of the investment policies and asset allocation strategy;
- support the Chief Executive Officer and the Board of Directors in the definition of the measurement criteria of the targets utilised in the valuation of the investments, at Group level and for the individual companies;
- identify the profit targets at Group level and for the individual companies;
- monitor compliance of the profitability targets as illustrated above; receive reports from the investment management heads;
- analyse the financial markets and the macroeconomic indicators with the objective to evaluate in advance the impacts on the performance of the Group investments;
- propose, where necessary, actions to rebalance investments in accordance with the limits fixed by asset class;
- support the Chief Executive Officer and the Board of Directors in the valuation of the profitability/impact of extraordinary investment/divestment initiatives (“Large Investments”) in line with the strategies and guidelines defined by the Risk Committee of the Parent Company;
- evaluate the possibility to utilise new financial instruments which require new risk evaluation/estimate models, in line with the strategies and guidelines defined by the Risk Committee of the Parent Company;
- evaluate, through the analysis of specific reporting, the necessity to modify the extent and scope of the operations to be analysed, as well as formulate proposals to modify the investment policies;
- report to the Risks Committee of the Parent Company on the significant operations evaluated and report to the Risks Committee of the Parent Company when the operation is not in accordance with the guidelines defined.

The Non-Life Committee of the Parent Company Fondiaria-SAI and of the parent company Milano Assicurazioni have the following duties:

- support the Chief Executive Officer and the Board of Directors in the definition of the guidelines on the Non-Life underwriting policy;
- verification/proposals relating to the Non-Life component of the changes to the Reinsurance Framework to be evaluated by the Risks Committee of the Parent Company which will be presented together with the Life component (through the General and Corporate secretary) to the Board of Directors for approval;
- support the Chief Executive Officer and the Board of Directors in the evaluation of the profitability/underwriting impact or renewal of significant business (“Large Risks”), in line with the strategies and guidelines of the Risks Committee of the Parent Company;
- monitor and coordinate the underwriting procedures of the contracts;
- coordinate the underwriting policies between the various division/companies involved;
- monitor the performance of the technical portfolio of the Non-Life division of the Group, in order to verify that it is in line with the objectives defined; receive management reports;

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- evaluate, through the analysis of specific reporting, the necessity to modify the extent and scope of the non-life risks to be analysed, as well as formulate proposals to modify the underwriting policies;
  - report to the Risks Committee of the Parent Company on the significant operations evaluated and report to the Risks Committee of the Parent Company when the operation is not in accordance with the guidelines defined.

#### 3.4) 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 Salvatore Militello, Enzo Mei and Salvatore Spiniello. Mr. Militello 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. Mr. Militello is a member of the Internal Control Committee since August 2, 2011. In addition to the 3 directives mentioned above, Mr. Maurizio Comoli is a member of the Committee since February 29, 2012.

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 carries out the following consultation and proposal duties, with all final decisions devolving to the Board of Directors:

- 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 Executive Responsible for the preparation of corporate accounting documents pursuant to Legislative Decree No. 58/98 (hereafter: Executive Responsible);
- 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 Audit department and receive periodic reports;
- g) Assesses, together with the Executive Responsible, the executives, the board of statutory auditors and the external auditors, the appropriateness of the accounting standards applied and their homogeneity for the purpose of preparing the consolidated financial statements;

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- h) Evaluate, notwithstanding the responsibilities of the Board of Statutory Auditors, the audit work plan of the external auditors and the results expressed in the report and letter of recommendations;
  - i) Exercises, excluding the duties under legislation to the Board of Statutory Auditors, the management of the relations with the external auditors and 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.

In addition, pursuant to the procedures for transactions with related parties, approved by the Board of Directors on December 23, 2011, the Internal Control Committee must 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 and identified in the procedures.

The duties of the Internal Control Committee are 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 2011 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 Parent Company commented upon above, which were subject to examination and approval by the Board of Directors.

As previously stated at point 1.14, the procedures for transactions with related parties, approved by the Board of Directors most recently on December 23, 2011, establishes that the Internal Control Committee must 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 Audit department and of the periodic reports issued.

The Committee also reports to the Board of Directors in the Board meetings for the approval of the annual and half year financial statements, expressing their opinions on their area of competence.

The Board of Directors also approve the Internal Control Committee regulations, which formalise the principal procedures for its functioning.

In 2011, the Committee met 14 times, with an average duration of the meetings of 2 hours. It is expected that a similar number of meetings will take place in 2012. In 2012 the Committee has already met 3 times.

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### 3.5) Executive responsible for the preparation of corporate accounting documents

The Board of Directors' meeting of October 19, 2011 appointed the Executive Responsible as Mr. Massimo Dalfelli, Accounts and Administration Department manager.

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

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

### 3.6) 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 Supervisory Board of specific disclosures relating to so-called "sensitive activity";

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

The Board approved the setting up of the Supervision Board, which is assigned, through a general plan, the duty to supervise compliance of the Model, to verify the real efficiency and effectiveness of the Model, in relation to the operating structure, to prevent offences pursuant to Legislative Decree No. 231/2001 as well as updating the Model, where there is a need to update this in relation to changed operating conditions. In relation to the composition of the Supervisory Board, it was considered appropriate to appoint an collegial board.

Fonditaria-SA has also adopted, through Board resolution, the Ethical Code of the Company, which recalls the fact that, in the undertaking of its activities, Fonditaria-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.

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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.

#### 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 email 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) Handling 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.

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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.

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.

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 (2011)							Internal Control Committee		Remuneration Committee		Nominati on Committe		Executive Committee	
Office	Members	Exec.	Non-Exec.	Ind. Director Self-Govern. Code	***	Number of other offices *	**	***	**	***	**	***	**	***
Chairman	Jonella LIGRESTI (1)(2)		X		100%	6			X	-			X	100%
Vice Chairman	Massimo PINI		X		100%	7							X	100%
Vice Chairman	Antonio TALARICO		X		91%	10							X	100%
Chief Executive Officer	Emanuele ERBETTA (3)	X			100%	4							X	100%
Director	Andrea BROGGINI		X	X	77%	7								
Director	Roberto CAPPELLI (4)		X	X	67%	0								
Director	Maurizio COMOLI (5)		X	X	82%	14	X	93%						
Director	Carlo d'URSO		X		82%	6								
Director	Ranieri de MARCHIS (4)		X		100%	8							X	100%
Director	Vincenzo LA RUSSA		X		82%	2							X	100%
Director	Gioacchino Paolo LIGRESTI		X		86%	21							X	100%
Director	Fausto MARCHIONNI (6)		X		100%	3								
Director	Valentina MAROCCO (2)		X	X	82%	5			X	-				
Director	Enzo MEI		X	X	86%	5	X	93%	X	100%				
Director	Salvatore MILITELLO (4)(2)		X	X	78%	0	X	83%	X	67%			X	0% (9)
Director	Cosimo RUCELLAÌ		X	X	95%	2								
Director	Salvatore SPINIELLO		X		95%	17	X	71%						
Director	Graziano VISENTIN		X		95%	23			X	100%				

#### Directors resigned in 2011

Vice Chairman	Giulia Maria LIGRESTI (7)		X		90%								X	100%
Director	Francesco CORSI (8)		X	X	85%									
Director	Giuseppe MORBIDELLI (2)(8)		X	X	54%				X	100%				
Director	Sergio VIGLIANISI (8)		X		100%									

(1) The Chairman Ms. Jonella Ligresti, in the meeting of July 21, 2011, waived all executive powers previously conferred.

(2) The Remuneration Committee at January 1, 2011 was composed of the Directors Mei, Morbidelli and Visentin; on July 22, 2011 the Director Mr. Morbidelli resigned; on August 2, 2011 Mr. Militello was appointed; on November 29, 2011 the Chairman Ms. Jonella Ligresti and the Director Mr. Marocco were appointed to the Committee and, from the date of their nomination to the end of the year, the Remuneration Committee did not meet

(3) The Chief Executive Office Mr. Erbetta became a Board member through Co-optation on January 27, 2011 and was confirmed in the office by the Shareholders' Meeting of April 28, 2011

(4) The Directors Cappelli, de Marchis and Militello were appointed by Co-optation to the Board on August 2, 2011

(5) The Director Mr. Comoli resigned from the Internal Control Committee on February 29, 2012

(6) The Director Mr. Marchionni was the Chief Executive Office and member of the Executive Committee until January 27, 2011. After this date he was a Director

(7) The Vice Chairman Ms. Giulia Maria Ligresti resigned from all offices on December 23, 2011

(8) The Directors Corsi and Morbidelli resigned from office on July 22, 2011; the Director Viglianisi resigned from office on July 28, 2011

(9) After the appointment of Mr. Militello to the office of Director, the Executive Committee met only once

**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 nominations

Number of meetings held in the year	Board of Directors: 22	Internal Control Committee: 14
	Remuneration Committee: 8	Executive Committee: 2

#### NOTE:

\* This column indicates the number of offices a director or statutory auditor holds in other companies listed on regulated markets, including foreign markets, in 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.



<b>Office</b>	<b>Members</b>	<b>Percentage of participation at Board meetings</b>	<b>Number of other offices held *</b>
<b>Chairman</b>	Giovanni Benito MARINO	96%	12
<b>Statutory Auditor</b>	Antonino D'AMBROSIO	96%	19
<b>Statutory Auditor</b>	Marco SPADACINI	92%	10
<b>Alternate Auditor</b>	Alessandro MALERBA	-	-
<b>Alternate Auditor</b>	Maria Luisa MOSCONI	-	-
<b>Alternate Auditor</b>	Rossella PORFIDO	-	-
<b>Number of meetings held in the year: 25</b>			
<b>Quorum required for the presentation of slates by minority shareholders for the election of one or more standing members (as per art. 148 CFA): 2.5%</b>			

**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 Control</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 provided an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations			Investor Relations Department - 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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# **2011 Financial Statements**

## **Balance Sheet**

## **and Income Statement**

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Company **FONDIARIA - SAI**

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Share capital underwritten E. 494.731.136,00 Paid in E. 494.731.136,00

Regstd. office TORINO

Legal office

## SEPARATE FINANCIAL STATEMENTS

### Balance Sheet

Year  2011

(Amounts in Euro)

## BALANCE SHEET

## ASSETS

		Current year	
A. RECEIVABLES FROM SHAREHOLDERS FOR UNPAID CAPITAL			1 0
of which called in	2 0		
B. INTANGIBLE ASSETS			
1. Acquisition commissions to be amortised			
a) life division	3 0		
b) non-life division	4 0	5 0	
2. Other acquisition expenses		6 0	
3. Formation, start up and similar costs		7 20,580,812	
4. Goodwill		8 153,662,478	
5. Other long term deferred costs		9 106,753	10 174,350,043
C. INVESTMENTS			
I - Land and buildings			
1. Property used for business activities		11 7,184,058	
2. Property used by third parties		12 1,034,194,093	
3. Others buildings		13 17,359,363	
4. Other rights		14 4,964,472	
5. Assets in progress and payments on account		15 2,808,481	16 1,066,510,467
II - Investments in group companies and in other holdings			
1. Shares and holdings in companies			
a) holding companies	17 2,288,835		
b) subsidiaries	18 3,334,746,989		
c) group companies	19 0		
d) associated companies	20 34,062,223		
e) other	21 76,707,014	22 3,447,805,061	
2. Bonds issued by:			
a) holding companies	23 0		
b) subsidiaries	24 31,358,431		
c) group companies	25 0		
d) associated companies	26 0		
e) other	27 21,364,200	28 52,722,631	
3. Loans to:			
a) holding companies	29 0		
b) subsidiaries	30 2,551,822		
c) group companies	31 0		
d) associated companies	32 0		
e) other	33 149,999	34 2,701,821	35 3,503,229,513
to carry forward			174,350,043

Previous year			
			181 0
	182 0		
183 0			
184 0	185 0		
	186 0		
	187 2,700,000		
	188 169,028,726		
	189 210,724		190 171,939,450
	191 9,489,187		
	192 1,121,709,879		
	193 18,682,162		
	194 4,922,448		
	195 2,808,481	196 1,157,612,157	
197 14,107,149			
198 3,470,821,572			
199 0			
200 37,527,656			
201 85,777,702	202 3,608,234,079		
203 0			
204 32,112,993			
205 0			
206 0			
207 18,180,000	208 50,292,993		
209 0			
210 3,051,822			
211 0			
212 0			
213 149,999	214 3,201,821	215 3,661,728,893	
	to carry forward		171,939,450

## BALANCE SHEET

## ASSETS

				Current year	
carried forward					174,350,043
C. INVESTMENTS (cont.)					
III - Other financial investments					
1. Shares and holdings					
a) Shares listed	36	615,193,075			
b) Shares not listed	37	18,140,982			
c) Quotas	38	1,500,000	39	634,834,057	
2. Investment fund units			40	623,856,855	
3. Bonds and other fixed-income securities					
a) listed	41	8,550,194,948			
b) not listed	42	75,244,920			
c) convertible bonds	43	25,840,856	44	8,651,280,724	
4. Loans					
a) secured loans	45	0			
b) loans on policies	46	22,732,121			
c) other loans	47	3,879,665	48	26,611,786	
5. Quotas in mutual investments			49	0	
6. Deposits at credit institutions			50	441,764	
7. Other financial investments			51	174,187	52 9,937,199,373
IV - Deposits with reinsuring companies				53 51,846,295	54 14,558,785,648
D. INVESTMENTS FOR THE BENEFIT OF LIFE ASSURANCE POLICY HOLDERS WHO BEAR THE INVESTMENT RISK AND ADMINISTRATION OF PENSION FUNDS					
I - Investments relating to the performance of investments funds and market indices					
			55	184,368,001	
II - Investments derived from pension fund management					
			56	212,199,997	57 396,567,998
D bis. TECHNICAL RESERVES – REINSURANCE AMOUNT					
I - NON LIFE DIVISION					
1. Unearned premium reserve	58	50,254,536			
2. Outstanding claims reserve	59	210,946,101			
3. Profit sharing and and premium refunds reserve	60	0			
4. Other technical reserves	61	0	62	261,200,637	
II - LIFE DIVISION					
1. Actuarial reserves	63	42,948,706			
2. Reserves for complementary insurances	64	0			
3. Outstanding claims reserve	65	4,359,751			
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 provisions relating to the administration of pension funds	68	0	69	47,308,457	70 308,509,094
to carry forward					15,438,212,783

Previous year			
carried forward			171,939,450
216	815,000,435		
217	13,781,555		
218	1,500,000	219	830,281,990
		220	638,397,664
221	8,822,805,311		
222	79,921,936		
223	57,230,199	224	8,959,957,446
225	0		
226	28,749,803		
227	4,346,384	228	33,096,187
		229	0
		230	625,946
		231	86,665
		232	10,462,445,898
		233	56,825,612
		234	15,338,612,560
		235	229,145,257
		236	205,620,875
		237	434,766,132
		238	51,396,733
		239	282,689,268
		240	0
		241	0
		242	334,086,001
		243	99,602,716
		244	0
		245	3,062,645
		246	0
		247	0
		248	0
		249	102,665,361
		250	436,751,362
to carry forward			16,382,069,504



## BALANCE SHEET

## ASSETS

		Current year	
	carried forward		15,438,212,783
E. RECEIVABLES			
I - Receivables, derived from direct insurance operations, composed of:			
1. Policyholders			
a) premiums for current year	71 406,853,319		
b) premiums for previous years	72 17,558,841	73 424,412,160	
2. Insurance brokers		74 552,113,734	
3. Insurance companies- current accounts		75 124,196,076	
4 Policyholders and others for sums to be recovered		76 90,457,184	77 1,191,179,154
II - Receivables, derived from reinsurance operations, composed of:			
1. Insurance and reinsurance companies		78 50,598,549	
2. Reinsurance brokers		79 161,431	80 50,759,980
III - Other receivables		81 695,077,790	82 1,937,016,924
F. OTHER ASSETS			
I - Fixed assets and inventories			
1. Furniture, EDP and internal transport	83 7,053,796		
2. Tangible assets recorded in public registers	84 3,695		
3. Plant and equipment	85 420,250		
4. Stocks and various assets	86 4,120,335	87 11,598,076	
II - Cash and cash equivalents			
1. Bank and postal deposits	88 458,964,449		
2. Cheques and cash on hand	89 265,062	90 459,229,511	
III - Treasury shares		91 1,982,080	
IV - Other assets			
1. Reinsurance clearing accounts	92 3,846,818		
2. Other assets	93 855,261,248	94 859,108,066	95 1,331,917,733
G. PREPAYMENTS AND ACCRUED INCOME			
1. Interest		96 137,221,030	
2. Rental		97 0	
3. Other prepaid and accrued income		98 5,216,581	99 142,437,611
TOTAL ASSETS			100 18,849,585,051

Previous year			
carried forward			16,382,069,504
251	438,537,032		
252	16,422,586	253	454,959,618
		254	592,683,637
		255	84,732,459
		256	54,028,944
		257	1,186,404,658
		258	69,020,564
		259	159,816
		260	69,180,380
		261	646,533,599
		262	1,902,118,637
		263	8,446,105
		264	10,321
		265	501,559
		266	4,120,335
		267	13,078,320
		268	295,619,453
		269	79,728
		270	295,699,181
		271	20,245,120
		272	3,154,092
		273	341,875,318
		274	345,029,410
		275	674,052,031
		276	135,067,535
		277	531
		278	5,283,699
		279	140,351,765
		280	19,098,591,937

BALANCE SHEET  
LIABILITIES AND NET EQUITY

		Current year	
A. SHAREHOLDERS' EQUITY			
I - Share capital subscribed or equivalent fund		101 494,731,136	
II - Share premium reserve		102 331,229,761	
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 4,270,915	
VII - Other reserves		107 1,205,928,249	
VIII - Retained earnings/(accumulated losses)		108 0	
IX - Loss for the year		109 - 1,020,368,450	110 1,251,352,709
B. SUB-ORDINATED LIABILITIES			111 900,000,000
C. TECHNICAL RESERVES			
I - NON-LIFE DIVISION			
1. Unearned premium reserve	112 1,510,920,403		
2. Claims reserve	113 5,220,936,760		
3. Reserve for profit sharing and reversals	114 0		
4. Other technical reserves	115 6,333,440		
5. Equalisation reserves	116 25,101,756	117 6,763,292,359	
II - LIFE DIVISION			
1. Actuarial reserves	118 7,843,892,822		
2. Reserves for complementary insurances	119 240,354		
3. Claims outstanding reserve	120 85,524,613		
4 Reserve for profit sharing and reversals	121 1,901,882		
5. Other technical reserves	122 47,061,449	123 7,978,621,120	124 14,741,913,479
D. TECHNICAL RESERVES FOR THE BENEFIT OF LIFE ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND ADMINISTRATION OF PENSION FUNDS			
I - Reserve relating to the performance of investments funds and market indices		125 184,267,065	
II - Reserves derived from pension fund management		126 212,199,997	127 396,467,062
to carry forward			17,289,733,250

Previous year		
	281	167,043,712
	282	209,947,271
	283	200,024,934
	284	35,536,164
	285	0
	286	34,352,269
	287	1,811,984,740
	288	0
	289	- 636,407,745
	290	1,822,481,345
	291	900,000,000
292	1,515,070,461	
293	4,729,815,742	
294	0	
295	7,620,099	
296	22,203,645	297 6,274,709,947
298	7,883,873,395	
299	712,002	
300	93,732,754	
301	1,633,185	
302	51,460,450	303 8,031,411,786
	304	14,306,121,733
	305	229,047,993
	306	205,620,870
	307	434,668,863
to carry forward		17,463,271,941

BALANCE SHEET  
LIABILITIES AND NET EQUITY

		Current year	
	carried forward		17,289,733,250
E. PROVISION FOR RISKS AND CHARGES			
1. Provisions for pension and similar		128 3,364,667	
2. Tax provisions		129 52,905,248	
3. Other provisions		130 247,310,198	131 303,580,113
F. DEPOSITS RECEIVED FROM REINSURERS			132 93,924,939
G. PAYABLES AND OTHER LIABILITIES			
I - Payables, derived from direct insurance operations, composed of:			
1. Insurance brokers	133 13,066,895		
2. Insurance companies- current accounts	134 9,771,055		
3 Policyholders for cautionary monies and premiums	135 73,826		
4 Policyholder guarantee provisions	136 3,429,280	137 26,341,056	
II - Payables, derived from direct insurance operations, composed of:			
1. Insurance and reinsurance companies	138 34,678,982		
2. Reinsurance brokers	139 818,974	140 35,497,956	
III - Bonds		141 0	
IV - Payables to banks and financial institutions		142 0	
V - Secured debts		143 0	
VI - Loans and other financial payables		144 245,192,941	
VII - Post-employment benefit provisions		145 35,004,078	
VIII - Other payables			
1. Policyholders' tax due	146 72,714,276		
2. Other taxes due	147 84,161,756		
3. Social security and welfare institutions	148 10,333,580		
4. Other payables	149 403,135,778	150 570,345,390	
IX - Other liabilities			
1. Payable transitory reinsurance accounts	151 3,537,125		
2. Commissions on premium collection	152 57,649,870		
3. Other liabilities	153 161,024,198	154 222,211,193	155 1,134,592,614
	to carry forward		18,821,830,916

Previous year		
carried forward		17,463,271,941
	308 3,385,585	
	309 91,000,458	
	310 230,155,997	311 324,542,040
		312 151,125,364
	313 24,616,249	
	314 12,044,730	
	315 73,826	
	316 255,957	317 36,990,762
	318 33,637,719	
	319 818,974	320 34,456,693
		321 0
		322 75,000,000
		323 0
		324 248,300,000
		325 39,370,934
	326 71,043,903	
	327 50,747,547	
	328 8,800,727	
	329 367,992,508	330 498,584,685
	331 2,704,965	
	332 58,400,037	
	333 153,103,477	334 214,208,479
		335 1,146,911,553
	to carry forward	19,085,850,898

BALANCE SHEET  
LIABILITIES AND NET EQUITY

		Current year	
	carried forward		18,821,830,916
H. ACCRUALS AND DEFERRED INCOME			
1 Interest	156	27,210,696	
2. Rental	157	530,387	
3. Other accruals and deferred income	158	13,052	159 27,754,135
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			160 18,849,585,051

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	4,254,446
II - Guarantees received			
1. Sureties		165	216,608,637
2. Endorsements		166	0
3. Other non-secured guarantees		167	2,553,363
4. Collateral		168	2,900,000
III - Guarantees given by third parties on behalf of the company		169	48,495,068
IV - Commitments		170	58,419,268
V - Third party assets		171	9,100,909
VI - Pension fund assets managed on behalf of third parties		172	0
VII - Securities deposited with third parties		173	12,950,268,164
VIII - Other memorandum accounts		174	927,578,062

Previous year		
carried forward		19,085,850,898
	336	12,651,183
	337	47,697
	338	42,159
	339	12,741,039
	340	19,098,591,937

Previous year		
	341	0
	342	0
	343	0
	344	4,160,385
	345	179,496,251
	346	0
	347	2,353,760
	348	2,900,000
	349	53,462,376
	350	840,408
	351	7,303,488
	352	0
	353	13,433,969,679
	354	802,311,004



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## Allegato II

Company **FONDIARIA - SAI**

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Share capital underwritten E. 494.731.136,00 Paid in E. 494.731.136,00

Regstd. office TORINO

Legal office

### SEPARATE FINANCIAL STATEMENTS

#### Income statement

Year 2011

(Amounts in Euro)

# INCOME STATEMENT

Current year

<b>I. TECHNICAL ACCOUNT OF THE NON-LIFE DIVISION</b>						
1. EARNED PREMIUMS NET OF REINSURANCE						
a) Gross premiums written	1	3,795,961,322				
b) (-) Premiums ceded	2	131,234,594				
c) Change in the gross amount of the unearned premium reserve	3	-4,124,513				
d) Change in reinsurers reserves for unearned premiums	4	1,144,667			5	3,669,995,908
2. (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM NON TECHNICAL ACCOUNT (ACCOUNT III. 1)					6	
3. OTHER TECHNICAL INCOME, NET OF REINSURANCE					7	25,039,921
4. CLAIMS INCURRED NET OF RECOVERIES AND REINSURANCE						
a) Claims paid						
aa) Gross amount	8	2,888,624,049				
bb) (-) reinsurers' share	9	49,947,760	10	2,838,676,289		
b) Change in recoveries net of reinsurers' share						
aa) Gross amount	11	123,396,220				
bb) (-) reinsurers' share	12		13	123,396,220		
c) Change in claims reserve						
aa) Gross amount	14	486,476,062				
bb) (-) reinsurers' share	15	6,249,570	16	480,226,492	17	3,195,506,561
5. CHANGE IN OTHER TECHNICAL RESERVES NET OF REINSURANCE					18	-1,286,659
6. PROFIT-SHARING AND REVERSALS NET OF REINSURANCE					19	
7. MANAGEMENT EXPENSES:						
a) Acquisition commissions	20	575,095,670				
b) Other acquisition costs	21	99,259,164				
c) Change in commissions and other costs of acquisition to be amortised	22					
d) Collection commissions	23	12,535,049				
e) Other administrative expenses	24	157,250,024				
f) (-) Reinsurers commissions and profit participation	25	32,342,970			26	811,796,937
8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE					27	114,148,948
9. CHANGE IN EQUALISATION RESERVES					28	2,898,111
10. TECHNICAL ACCOUNT RESULT - NON-LIFE DIVISION (Account III. 1)					29	-428,028,069

## Previous year

[illegible]

INCOME STATEMENT

Current year

II. TECHNICAL ACCOUNT - LIFE DIVISION						
1. EARNED PREMIUMS NET OF REINSURANCE						
a) Gross premiums written		30	1,046,052,843			
b) (-) premiums ceded		31	18,932,791		32	1,027,120,052
2. INVESTMENT INCOME						
a) Income from shares and quotas		33	11,681,807			
( of which: group companies and other holdings		34	898,169 )			
b) Income from other investments:						
aa) land and buildings	35	2,236,441				
bb) other investments	36	340,388,992	37	342,625,433		
(of which: from group companies		38	2,296,538 )			
c) Write-back on investments		39	3,128,229			
d) Gains on investment disposals		40	71,489,378			
( of which: group companies and other holdings		41			42	428,924,847
3. INCOME AND UNREALISED CAPITAL GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND PENSION FUND MANAGEMENT					43	29,242,797
4. OTHER TECHNICAL INCOME, NET OF REINSURANCE					44	2,664,024
5. CLAIMS INCURRED NET OF REINSURANCE:						
a) Claims paid						
aa) Gross amount	45	1,292,996,810				
bb) (-) Reinsurers share	46	12,286,875	47	1,280,709,935		
b) Change in reserve for sums to be paid						
aa) Gross amount	48	- 8,212,188				
bb) (-) Reinsurers share	49	1,297,592	50	-9,509,780	51	1,271,200,155
6. CHANGE IN ACTUARIAL RESERVES AND OTHER TECHNICAL RESERVES NET OF REINSURANCE						
a) Actuarial reserves:						
aa) Gross amount	52	-39,918,872				
bb) (-) Reinsurers share	53	2,422,181	54	-42,341,053		
b) Unearned premiums provision						
aa) Gross amount	55	-471,648				
bb) (-) Reinsurers share	56		57	-471,648		
c) Other technical reserves						
aa) Gross amount	58	-4,130,304				
bb) (-) Reinsurers share	59		60	-4,130,304		
d) Technical reserves where the investment risk is borne by policyholders and those relating to administration or pensions						
aa) Gross amount	61	-38,412,969				
bb) (-) Reinsurers share	62		63	-38,412,969	64	-85,355,974

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Previous year			
	140	1,235,530,409	
	141	18,097,743	142 1,217,432,666
	143	16,386,588	
( of which: group companies and other holdings	144	798,372 )	
	145	2,207,063	
	146	320,995,823	147 323,202,886
(of which: from group companies	148	2,435,215 )	
	149	8,500,561	
	150	69,541,794	
( of which: group companies and other holdings	151	)	152 417,631,829
			153 45,381,455
			154 3,840,835
	155	1,135,297,949	
	156	14,318,820	157 1,120,979,129
	158	17,489,829	
	159	1,073,817	160 16,416,012
	161		1,137,395,141
	162	386,401,466	
	163	1,330,915	164 385,070,551
	165	-37,685	
	166		167 -37,685
	168	-3,354,829	
	169		170 -3,354,829
	171	-82,367,997	
	172		173 -82,367,997
			174 299,310,040

# INCOME STATEMENT

Current year

7. PROFIT -SHARING AND REVERSALS NET OF REINSURANCE			65	
8. MANAGEMENT EXPENSES:				
a) Acquisition commissions	66	15,558,200		
b) Other acquisition costs	67	14,274,775		
c) Change in commissions and other costs of acquisition to be amortised	58			
d) Collection commissions	69	4,068,143		
e) Other administrative expenses	70	31,239,404		
f) (-) Reinsurers commissions and profit participation	71	3,766,946	72	61,373,576
9. ASSET AND FINANCIAL CHARGES				
a) Investment management charges and interest expenses	73	18,890,328		
b) Value adjustments on investments	74	435,525,058		
c) Losses on investment disposals	75	16,009,428	76	470,424,814
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	38,543,252
11. OTHER TECHNICAL CHARGES, NET OF REINSURANCE			78	14,920,744
12. (-) PORTION OF INVESTMENT INCOME TRANSFERRED FROM NON TECHNICAL ACCOUNT (ACCOUNT I. 1)			79	
13. TECHNICAL ACCOUNT RESULT - LIFE DIVISION (Account III. 2)			80	- 283,154,847
<b>III. NON TECHNICAL ACCOUNT</b>				
1. TECHNICAL ACCOUNT RESULT – NON-LIFE DIVISION (account I.10)			81	-428,028,069
2. TECHNICAL ACCOUNT RESULT - LIFE DIVISION (account II. 13)			82	- 283,154,847
3. INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION				
a) Income from shares and quotas	83	11,004,634		
(of which: group companies and other holdings)	84	969,787		
b) Income from other investments:				
aa) land and buildings	85	47,707,585		
bb) other investments	86	58,493,790	87	106,201,375
(of which: from group companies)	88	13,309,752		
c) Write-back on investments	89	2,626,827		
d) Gains on investment disposals	90	32,744,827		
(of which: group companies and other holdings)	91		92	152,577,663

Previous year		
		175 0
176	16,976,229	
177	13,367,820	
178	-49,000	
179	4,531,675	
180	34,064,162	
181	2,473,514	182 66,515,372
183	22,281,278	
184	260,635,603	
185	38,475,014	186 60,756,292
		187 15,344,278
		188 18,553,490
		189 0
		190 - 174,223,431
		191 263,058,007
		192 - 174,223,431
193	11,241,803	
ch: group companies and other holdings	194 1,029,430 )	
195 46,258,090		
196 58,141,969	197 104,400,059	
(of which: from group companies	198 11,976,826 )	
	199 2,581,007	
	200 49,914,107	
ch: group companies and other holdings	201 0 )	202 168,136,976

INCOME STATEMENT

Current year

4. (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS (account II. 12)		93	
5. ASSET AND FINANCE CHARGES FOR NON-LIFE DIVISION:			
a) Investment management charges and interest expenses	94 44,893,906		
b) Value adjustments on investments	95 634,137,290		
c) Losses on investment disposals	96 29,691,857	97	708,723,053
6. (+) QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (account II. 12)		98	
7. OTHER INCOME		99	296,861,014
8. OTHER CHARGES		100	406,859,725
9. RESULT FROM ORDINARY ACTIVITY		101	- 1,377,327,017
10. EXTRAORDINARY INCOME		102	61,921,418
11. EXTRAORDINARY CHARGES		103	46,716,541
12. RESULT FROM EXTRAORDINARY ACTIVITY		104	15,204,877
13. LOSS BEFORE TAXES		105	- 1,362,122,140
14. INCOME TAXES FOR THE YEAR		106	- 341,753,690
15. LOSS FOR THE YEAR		107	- 1,020,368,450



Previous year

		203	
204	43,972,414		
205	338,170,877		
206	11,863,535	207	394,006,826
		208	
		209	236,318,586
		210	350,849,506
		211	-777,682,208
		212	92,869,243
		213	47,092,411
		214	45,776,832
		215	-731,905,376
		216	-95,497,631
		217	-636,407,745

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## Explanatory Notes

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The financial statements as at December 31, 2011:

- 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;
- 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 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 financial statements were prepared on the going concern principle.

The year 2011 reported a loss, which has been described in detail in the Directors' Report, resulting in a serious deficiency in the Adjusted Solvency Margin of the Fondiaria SAI Group.

On December 23, 2011, the Board of Directors of Fondiaria-SAI mandated the Chairman to call an Extraordinary Shareholders' Meeting of the Company in order to propose to shareholders a share capital rights issue with the primary objective of strengthening the capital base of the Group and the stabilisation of the Adjusted Solvency Margin.

Therefore, the Extraordinary Shareholders' Meeting of Fondiaria SAI S.p.A. of March 19, 2012 approved the share capital increase through a paid-in capital increase for a total maximum amount of Euro 1,100,000,000.00, including any share premium, to be carried out by December 31, 2012, through a rights issue of ordinary and savings shares, in accordance with Article 2441, first, second and third paragraphs of the civil code ("Capital Increase").

Subject to the granting of the necessary authorisations by the relevant Authorities, the Capital Increase is expected to begin in May 2012.

The Capital Increase is intended to strengthen the capital base of Fondiaria-SAI S.p.A. and the Fondiaria Group, in light of the recent results within the overall difficult insurance and financial market and will - also in a complementary manner to other initiatives - increase the consolidated solvency margin of the Group above regulatory minimum levels. The Company will evaluate in a timely manner all appropriate initiatives to implement the share capital increase proposed in the event that problems could arise in the completion of the integration with Unipol.

The action plan of the directors and the decisions taken by the Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A. of March 19, 2012 are in line with the recommendations made by the Supervisory Authority on January 10, 2012 and March 12, 2012. ISVAP has restated the necessity to proceed without delay with the capital strengthening operations, without however identifying a final date for completion.

We also report that Fondiaria-SAI S.p.A. is able to continue its ordinary activities and the sustainability of debt contracted on the base of contractual conditions described in the section of the Notes to the financial statements on Subordinated Loans.

The strengthening of the capital base initiatives have been assisted by the recovery in Italian government bonds in the beginning of 2012. Therefore, the recent economic forecasts would appear to confirm the positive trend in the technical-insurance management at the start of the year.

Therefore we consider there are no uncertainties or events or conditions which could give rise to doubts on the capacity to continue to operate as a functioning entity.

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.

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## **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.

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 for permanent losses in value.

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.

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 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 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 and with the exception of that stated in the previous paragraph;

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- 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.

### **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.

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## **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.

## **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.



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## 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 ISVAP Regulation 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. 16/2008.

In the Bond class, the supplementary reserves in accordance with article 12 of ISVAP Regulation No. 16/2008 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. 16/2008 to cover the risks on the company after the year-end, in order to meet all the costs for claims which could arise on contracts which gave rise to the formation of the reserve for the premium fraction, 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 Regulation 16, 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 or in the case of a non-significant reserve, 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.

Each of the three factors mentioned are expressed in a series of models, through which their multiple combination identifies specific homogeneous categories.

The technical parameters utilised to identify the best estimate of the average costs consists of the overall total claims settlement in the last 12 months, generated in a different period in which the estimate was made. For each claim closed, consideration is taken of all payments made in the history on all counterparties related to the No Card and Card Management claims of the previous generations (compared to the year for which the estimate was made).

#### *Previous generations*

In order to establish the amount of the last cost reserve of Ordinary TPL claims (2006 generation and previous) and No Card and Card Management claims the Chain Ladder and Fisher-Lange actuarial models were developed. In particular, taking account of the large number of parameters utilised in the estimate of the latter, there is a higher model risk compared to the Chain Ladder; therefore it was decided to appropriately weight the two models.

From 2011 the process was optimised, moving to a dynamic type model. In a change from the model utilised until the 2010 financial statements, consideration was taken of all the claims without any distinction between on time and late claims. Consequently the estimate of the final reserve obtained from the model includes the IBNR reserve.

#### *Current generation*

In order to establish the current year reserve for managed claims, in addition to the actuarial models indicated above, account was also taken of the analytical valuations carried out by the settlement agents in addition to the valuation of the average statistical cost of claims not subject to inventory-taking.

For the Managed and Debit flat-rates the criteria described for the prior generations were utilised.

For the valuation of the direct and indirect expenses reserve, the percentage of the last cost reserve compared to the expenses reserve based on a historical analysis of the percentage of expenses paid on indemnities was provisioned.

### a.2 Reserve for claims not yet reported

The reserve for claims not yet reported (IBNR) was determined in accordance with the general calculation criteria pursuant to paragraph 1 of Article 32 of ISVAP Regulation No. 16 of March 4, 2008, implementing a method which provides the estimate of the IBNR numbers forecast separately between No Card and Card, estimating the expected number based on the development of late claims recorded in previous years, to which an average cost estimate is applied based on the observation of late claims received.

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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. 16/2008.

## **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.

## **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 2011 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.

Despite the losses in 2011, the net equity is more than adequate also to support the solvency margin, while the outlook is positive and Fondiaria-SAI regularly complies with the regulations issued concerning the coverage of technical reserves.

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## **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 31/12/2011 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.

## **Provision for staff termination pay**

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.

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## **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.

## **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.



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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.

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 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 2011 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.

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## **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.

## **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 origine;
- 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 174,350 thousand (Euro 171,940 thousand at 31/12/10) 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)	31/12/2011	31/12/2010	Change
Formation and start-up costs	20,581	2,700	17,881
Goodwill	153,662	169,029	(15,367)
Other deferred costs	107	211	(104)
<b>Total</b>	<b>174,350</b>	<b>171,940</b>	<b>2,410</b>

#### Formation and start-up costs

The account “Formation and start-up costs” includes charges incurred on the subordinated loans of Euro 1,350 thousand and charges incurred for the share capital increase in July 2011. The capitalisation charge for the share capital increase amounts to Euro 24,039 thousand and is amortised over 5 years on a straight line basis of Euro 4,808 thousand per year.

#### Goodwill

At 31/12/2011 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. The change therefore relates to the amortisation of the year.

## Other deferred costs

“Other deferred costs” are broken down as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Change
- Licences and software programme rights	72	144	(72)
- Trademarks	6	8	(2)
- Leasehold improvements (technical evaluation offices and agencies)	29	59	(30)
<b>Total</b>	<b>107</b>	<b>211</b>	<b>(104)</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, 2011, the trademarks recorded in the accounts relate to “Principi di Piemonte” for Euro 4 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)	31/12/2011	31/12/2010	Change
Property used for business activities	12,100	14,975	(2,875)
Property used by third parties	1,084,785	1,172,307	(87,522)
Others buildings	17,363	18,686	(1,323)
Other property rights	5,315	5,273	42
Assets in progress and payments on account	2,808	2,808	-
<b>Total gross</b>	<b>1,122,371</b>	<b>1,214,049</b>	<b>(91,678)</b>
Accumulated depreciation	(55,860)	(56,437)	(577)
<b>Net total</b>	<b>1,066,511</b>	<b>1,157,612</b>	<b>(91,101)</b>
Fair value	1,391,273	1,534,173	(142,900)

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 decrease of Euro 1,323 thousand relates to the write-down of land at Bruzzano.

The account “Other property rights” includes car parking spaces in Florence and building rights in the Viquarterio area in the municipality of Pieve Emanuele, which increased for improvements.

There are no leased assets nor have any finance lease acquisitions taken place.

The decrease of Euro 91,678 thousand in investments in land and buildings, net of accumulated depreciation, compared to 31/12/2010 arises from:

(in Euro thousands)	31/12/2011	31/12/2010	Change
- Purchases	-	5,161	(5,161)
- Capital improvements	6,303	12,307	(6,004)
- Write-downs	(51,104)	(17,066)	(34,038)
- Sales	(46,877)	(6,239)	(40,638)
<b>Total</b>	<b>(91,678)</b>	<b>(5,837)</b>	<b>(85,841)</b>

There were no purchases in the year.

The sales principally relate to the sale of the building at Rome, Castelgiubileo Via Camerata-Via Apiro (Euro 37 million), in Castelmaggiore, Via Serenari Loc.Saliceto (Euro 1.6 million), in Milan, Via Fiori Chiari (Euro 1.5 million) and in Rome, Viale Beethoven 63 (Euro 0.7 million).

The capital improvement principally relate to work undertaken in the buildings located at Turin - Corso Galilei 12/14 (Euro 1.3 million), in Rome – Via Govoni, 24/43 (Euro 1.1 million), in Florence – Viale Matteotti 50 (Euro 1 million) in Milan – Piazza Velasca 5 (Euro 0.8 million), in Giardini Naxos Taormina (Euro 0.4 million) and in Florence – Via San Leonardo 44 (Euro 0.3 million).

The write-down refers to the following buildings:

(in Euro thousands)	
Varese – Via Albani 41	15,953
Milano – Via Merzi D’Eril 34	8,511
Milano – Torre Galfa Via Fara 41	6,679
Torino – Via Gobetti 15 (Hotel Principi di Piemonte)	5,202
Calenzano – Via Degli Olmi 7	4,844
Milano – Via San Sisto 4 Via Torino 66/68	2,932
Milano – Terreno Località Bruzzano	1,323
Firenze – Viale Matteotti 52	1,141
Firenze – Via Salvagnoli 46	980
Firenze – Viale Matteotti 14-16-18	936
Firenze – Via Ricasoli 48	879
Moncalieri – Strada Ferrero di Cambiano 20	662
Giardini Naxos – Via Recanati 26 (Complesso Alberghiero)	387
Prato – Via Semintendi 20	349
Milano – Piazza Della Repubblica 27 Via Locatelli 1	326

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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 overall market value of the buildings is Euro 325 million above the book value. The gross gains amount to Euro 326 million while the losses amount to Euro 1 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.

The above-mentioned write downs were made to align the carrying value to the respective market values as resulting from independent experts' evaluations. For these buildings the difference between the book value and the market value is considered as a long-term loss in value.

With reference to the reduction in the market value of buildings in the hotel sector (in particular Via Albani at Varese and Via Gobetti at Turin), we report that this is in particular due to the crisis which hit the hotel sector. This resulted in the valuation experts providing prudent estimates on the buildings both in relation to the discount rates and the exit yields in the cash flows utilised for the valuation of the assets.

The lower value attributed to property compared to the prior year valuations follows the changed economic-financial environment (increase in interest rates and difficulties in achieving sustainable profit levels), in addition to the consequent need to undertake a more prudent valuation - although utilising similar methods - in order to obtain a fair market value of the assets held. Considering also the difficulties in acquiring credit by real estate operators and the significant slowdown in demand (sharp fall in sales activity), the Company adopted a more prudent valuation for property with unsatisfactory profitability and for development initiatives which are affected by greater uncertainty concerning their completion. The property portfolio was impacted by the international financial crisis which resulted in a decline in the market value of properties, with an increase in the risk perception of investors and in the expected profit from such investments. This resulted in a reduction of expected income for vacant buildings or for development areas by the valuers and an increase in the discount rates and the exit yield in the DCF utilised principally for the valuation of the assets, compared to that utilised in valuations in the previous year with a consequent reduction in the market value of property and the imposition of write-downs on the book value. A similar decline was reported over recent years also for the Italian property market as a whole. In addition, with a view to the rotation of appointments, it was considered appropriate to utilise different real estate experts than those normally utilised by the Group.

The change of experts also resulted in, for some buildings, an alteration in the valuation method on the past from - in a number of cases - a comparative criteria method (Euro per sq.m.) to a Discounted Cash Flow method (DCF), in particular for a number of entirely owned buildings and for non-residential use.

Attachment 4 shows the changes in the year.

## Investments in group companies and in other companies

These amount to Euro 3,503,230 thousand and were as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Change
- Shares and holdings in companies	3,447,805	3,608,234	(160,429)
- Corporate bonds	52,723	50,293	2,430
- Corporate loans	2,702	3,202	(500)
<b>Total</b>	<b>3,503,230</b>	<b>3,661,729</b>	<b>(158,499)</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 2,289 thousand (Euro 14,107 thousand at 31/12/2010). 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 3,447,805 thousand.

The composition of the account is as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Change
- Holding companies	2,289	14,107	(11,818)
- Subsidiaries	3,334,747	3,470,822	(136,075)
- Associated companies	34,062	37,528	(3,466)
- Other	76,707	85,777	(9,070)
<b>Total</b>	<b>3,447,805</b>	<b>3,608,234</b>	<b>(160,429)</b>



The amount is shown net of write downs for Euro 571,977 thousand detailed in the following table:

Company	(in Euro thousands)
<b>Investment in the holding company</b>	<b>11,818</b>
- Premafin Finanziaria S.p.A.	11,818
<b>Investments in subsidiary companies</b>	<b>549,454</b>
- Atahotels S.p.A.	17,882
- Auto Presto&Bene S.p.A.	7,024
- BancaSai S.p.A.	10,791
- Centro Oncologico Fiorentino Casa di Cura Villanova S.r.l.	14,552
- Eurosai S.r.l.	59
- Gruppo Fondiaria SAI Servizi S.c.r.l.	4,026
- Immobiliare Lombarda S.p.A.	491
- Immobiliare Fondiaria-SAI S.r.l.	10,824
- Milano Assicurazioni S.p.A.	233,463
- Meridiano Aurora S.r.l.	2,134
- Nuove Iniziative Toscane S.r.l.	38,245
- Popolare Vita S.p.A.	171,846
- Sai Mercati Mobiliari S.p.A.	2,680
- Saifin Saifinanziaria S.p.A.	17,372
- Sainternational S.A.	9,234
- Sistemi Sanitari S.c.r.l.	480
- Villa Ragionieri S.r.l.	8,351
<b>Investments in associated companies</b>	<b>1,610</b>
- Quintogest Ord	837
- Quintogest speciali	773
<b>Investments in other group companies</b>	<b>9,095</b>
- Downall Italia	995
- Gruppo Gpa	7,665
- Mediorichi	435
<b>TOTAL</b>	<b>571,977</b>

The decrease in the investments in subsidiaries, amounting to Euro 136,075 thousand results from write downs of Euro 549,454 thousand and revaluations of Euro 413,379 thousand, these latter principally due to the share capital increase of Euro 203,094 thousand of the listed subsidiary Milano Assicurazioni, to the share capital increase payments on account of Euro 177,312 thousand and to cover losses for the year of Euro 32,973 thousand of non listed investments, as reported below.

In detail, the increase relating to the subsidiaries is due to the following operations:

- ATAHOTELS: share capital reduction for losses and subsequent recapitalisation for Euro 7,650 thousand, to cover losses of Euro 6,009 thousand, and share capital payment on account of Euro 5,100 thousand.
- AUTO PRESTO & BENE: payment of share capital increase of Euro 2,000 thousand.
- BANCA SAI: payment to cover losses for the year of Euro 14,954 thousand
- BIM VITA: share capital increase of Euro 2 million and payment in account to cover losses of Euro 2.5 million.
- CASA DI CURA VILLA DONATELLO: payment of share capital increase with a payment of Euro 551 thousand.

- CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA: share capital increase payment on account of Euro 8 million to meet the financial needs for the start-up phase and to cover net equity for Euro 2 million.
- GRUPPO FONDIARIA-SAI SERVIZI: payment to cover losses of Euro 4,153 thousand.
- IMMOBILIARE FONDIARIA-SAI: payment of future share capital increase of Euro 42,666 thousand.
- MILANO ASSICURAZIONI: share capital subscription for 1,500,000 savings shares with a payment of Euro 278 thousand and 787,945,417 ordinary shares with a payment of Euro 202,817 thousand.
- NUOVE INIZIATIVE TOSCANE: payment of share capital increase of Euro 3,342 thousand.
- POPOLARE VITA S.p.A. : conversion into share capital increase of the payment on account made in the previous year, with subscription of 1,951,002 shares (for Euro 9,755 thousand) and payment on account to cover losses of Euro 53,653 thousand.
- PRONTO ASSISTANCE: payment to cover losses in the year for Euro 105 thousand.
- SAI HOLDING ITALIA: share capital payment on account of Euro 55,500 thousand, for the recapitalisation of Popolare Vita in which Sai Holding is a shareholder.
- SISTEMI SANITARI: payment to cover losses in the year for Euro 102 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
<b>Subsidiary and Associated Companies</b>				
DDOR NOVI SAD	99.99	130,237	36,272	(93,965)
FONDIARIA-SAI NEDERLAND B.V.	100.00	108,988	54,099	(54,889)
IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	475,388	399,857	(75,531)
INCONTRA ASSICURAZIONI S.p.A.	51.00	18,430	6,925	(11,505)
MILANO ASSICURAZIONI S.p.A.	61.10	1,249,456	597,362	(652,094)
NUOVE INIZIATIVE TOSCANE S.r.l.	96.88	173,322	106,782	(66,540)
POPOLARE VITA S.p.A.	24.39	372,934	71,214	(301,720)
SAINTERNATIONAL S.A.	100.00	150,860	139,523	(11,337)

#### ▪ 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 372,934 thousand in Fondiaria-SAI and Euro 160,466 thousand in Sai Holding.

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Popolare Vita in 2011 reports a significant slowdown. As the possibility no longer exists to utilise the cash flows from the afore-mentioned plans (Business Life and Pensions) of the initiative (as no longer applicable and sustainable) and as forecasts for the coming 3-5 years are not available, it was not considered possible to reliably estimate the value in use based on the original plan.

Therefore for the purposes of the valuation of the investment at December 31, 2011, it was considered appropriate to determine the fair value of Popolare Vita. Two separate valuation methods were used. Firstly, the comparable transactions multiple method was used, and in particular, the Goodwill/Gross Premiums and Price/Net Equity multiple concerning a sample of transactions on the Italian market in the 2008-2011 period. In particular, the multiples considered are 22.2% for Goodwill/Gross premiums and a ratio of 1.76 for Price/Net equity.

Based on the application of the method outlined above, a recoverable value of the investment in Popolare Vita, including the portion held by Sai Holding, of Euro 556.7 million and Euro 510.1 million were calculated, respectively based on the Goodwill/Gross Premiums multiple and the Price/Net equity multiple. The average of the two values therefore established a value of Euro 533.4 million which was deemed to be the recoverable value of the investment and therefore of the related goodwill.

This analysis justifies the recovery of the implicit goodwill recorded in the carrying value, for a residual amount of Euro 360 million, after a write-down of Euro 172 million, considered a permanent loss in value.

Secondly, as a further support, a valuation was acquired from an independent expert to establish the appraisal value of the subsidiary considering the possible exercise of the sales option to the second largest shareholder of the Company under the shareholders' agreement signed on September 7, 2007. This valuation was undertaken to establish:

- of the embedded value at 31/12/2011;
- the goodwill at 31/12/2011 as the sum of the value of new future business based on products sold in 2011, of the respective new business costs and volumes forecast over 6 years and the Terminal Value utilising a Perpetuity Growth Model of the added value of the new business in the last year. The range identified covers the recoverable value of Euro 533 million established by the first method.

In order to further support the conclusions reached, the Appraisal Value of the subsidiary utilising a time period coinciding with the distribution agreement (and therefore until 2017) was adopted as a control method. In this case, the valuation approach adopted the value in use criteria and the components considered in order to apply the Appraisal Value were the following:

1. Adjusted Net Asset Value at December 31, 2011;
2. Value of in force business at December 31, 2011;
3. New Business value (or "Goodwill") maturing (2017).

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The New Business Value estimate was made utilising the 2011 new business data and assuming a reasonably sustainable development of premiums written for the next 6 years, leaving new business profitability at the 2011 level. The estimate of the benefit deriving from the outsourcing contract between the Parent company and the subsidiary was added to the Appraisal Value obtained. For these purposes, the 2012-2017 future cash flows were discounted estimated based on the net revenue data for 2011.

Also in this latter case, the valuation was in line with the two methods described above.

Finally, thanks to the changed economic and financial environment, a 3-year industrial plan was drawn up together with the banking partner, which gives new life to the initiative.

■ **Milano Assicurazioni**

In the year, the subsidiary was written down for Euro 233 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 1.11 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 1.04 and a maximum of Euro 1.17.

■ **Nuove Iniziative Toscane**

In relation to Nuove Iniziative Toscane, the difference is justified by non realised gains on property of the company, already allocated to the investment on the incorporation of La Fondiaria. A write-down of approx. Euro 27 million was made in the year also due to the effect of the independent experts' valuations made on the buildings. This amount, which reduces the difference between the carrying value and the net equity, represents the share of latent gains and no longer considered recoverable.

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 Bond

The fixed income securities shown in the account C.II.2 amount to Euro 52,723 thousand. This refers to issues of the subsidiary Banca Sai for Euro 31,359 thousand, to the Profit Participating Bonds related to loans for Euro 19,924 thousand and the Special Interest Bond related to interest on the loan to the Company Ex Var for Euro 1,440 thousand. None of the issues subscribed are listed on regulated markets.

The increase principally refers to the subscription of the bond issued by other Group companies for Euro 3,207 thousand.

The write-downs for recording values at market value in the income statement amounted to Euro 777 thousand, entirely concerning subsidiary bonds.

## Corporate Loans

The “Loans to group companies and other holdings” were as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Change
Subsidiaries	2,552	3,052	(500)
Others	150	150	-
<b>Total</b>	<b>2,702</b>	<b>3,202</b>	<b>(500)</b>

Loans issued to subsidiary companies relate to:

(in Euro thousands)	31/12/2011	31/12/2010	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>2,552</b>	<b>3,052</b>	<b>(500)</b>

The loan to SaiAgricola, for Euro 500 thousand, was repaid on March 3, 2011.

The loans issued to other Group companies are as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Change
Gruppo GPA S.p.A.	150	150	-
<b>Total</b>	<b>150</b>	<b>150</b>	<b>-</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%.

The changes are reported in attachment 5.

## Other financial investments

(in Euro thousands)	31/12/2011	31/12/2010	Change
Shares and quotas	634,834	830,282	(195,448)
Investment fund units	623,857	638,398	(14,541)
Bonds and other fixed-income securities	8,651,281	8,959,957	(308,676)
Loans	26,612	33,096	(6,484)
Deposits at credit institutions	442	626	(184)
Other financial investments	174	87	87
<b>Total</b>	<b>9,937,200</b>	<b>10,462,446</b>	<b>(525,246)</b>

## Shares and quotas included in Other financial investments

The account is composed as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Change
Listed shares	615,193	815,000	(199,807)
Non-listed shares	19,641	15,282	4,359
<b>Total</b>	<b>634,834</b>	<b>830,282</b>	<b>(195,448)</b>

The investments recorded a loss on valuation of Euro 165,766 thousand (Euro 108,326 thousand at 31/12/2010), principally relating to listed companies.

The principal impairments relate to the following listed investments:

- Banca Popolare di Milano for Euro 9,722 thousand;
- Generali for Euro 59,530 thousand;
- RCS for Euro 5,315 thousand;
- Unicredit for Euro 29,419 thousand.

The investment in Generali at the end of the first half of 2011 was transferred from the non-current segment to the current segment. The decision results from the Board of Directors' meeting resolution of June 22, 2011 in relation to the commitment taken with the Market Regulator to sell the shareholding held in Generali by December 31, 2012.

Therefore based on this commitment, the investment in Generali is no longer considered a long-term strategic investment appropriate to be classified, in accordance with Article 14, paragraph 2 of ISVAP Regulation No. 36, as an investment in the non-current segment.

Subsequent to the transfer, the investment in Generali was valued in accordance with the criteria for the segment and therefore the lower between carrying value (Euro 20 per share) and stock market prices at December 31, 2011 (Euro 11.5255 per share).

In relation to the calculation of impairments in Unicredit, reference should be made to the section non-current assets.

The write backs in value amount to Euro 37 thousand and relate entirely to listed subsidiaries.

The carrying value of the listed companies is higher than the market value by Euro 74,122 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:

- GENERALI: sale of 718,756 shares realising a loss of Euro 4,769 thousand.
- MONTE DEI PASCHI DI SIENA: sale of 27,740,109 shares with the realisation of a net loss of Euro 3,261 thousand; share capital subscription for 7,521,750 shares totalling Euro 3,355 thousand.
- MEDIOBANCA: sale of 7,165,329 shares, realising a net gain of Euro 2,140 thousand.
- PRELIOS (ex PIRELLI & C. REAL ESTATE): sale of 16,538,443 shares, realising a gain of Euro 1,667 thousand.

## Investment fund units

(in Euro thousands)	31/12/2011	31/12/2010	Change
Investment fund units	623,857	638,398	(14,541)
<b>Total</b>	<b>623,857</b>	<b>638,398</b>	<b>(14,541)</b>

The account is composed as follows:

	31/12/2011	31/12/2010	Change
<b>Property Funds</b>			
Tikal Fund	241,840	241,840	-
Public Property Funds	51,853	66,096	(14,243)
Rho Property Fund - class B	52,750	52,750	-
Rho Property Fund - class A	19,475	19,475	-
Pan-European Property Fund	17,461	17,527	(66)
Eracle Fund	14,250	14,250	-
Omicron Plus Property Fund	4,484	14,324	(9,840)
Other	28,977	33,576	(4,599)
<b>Total Property Funds</b>	<b>431,090</b>	<b>459,838</b>	<b>(28,748)</b>
<b>Security Funds</b>			
Sicav Saint George Ucits Fixed Income	43,218	14,887	28,331
Sicav Saint George Ucits Total Return	21,078	0	21,078
Fondo Acomea America	16,177	413	15,764
Etf Db X Trackers Shortdax	13,068	0	13,068
Sicav Saint George Ucits Equity Long	13,866	10,000	3,866
Fondo Gestielle Obiettivo Risparmio Cl A	-	43,802	(43,802)
Gestielle Treasury Coupon Fund	-	22,005	(22,005)
Bipiemme Monetary Fund	-	10,500	(10,500)
Other	85,360	76,953	8,407
<b>Total Securities Funds</b>	<b>192,767</b>	<b>178,560</b>	<b>14,207</b>
<b>Total</b>	<b>623,857</b>	<b>638,398</b>	<b>(14,541)</b>

The decrease in mutual investment funds of Euro 14,541 thousand relates principally to the sale of 100 units and the pro-rata capital repayment of the Public Property Funds for Euro 14,243 thousand realising a gain of Euro 1,468 thousand and the Omicron Plus Fund for Euro 9,840 thousand, realising a gain of Euro 3,777 thousand. The losses recorded on the alignment amounted to Euro 17,236 thousand, while the write-back in value amounted to Euro 2,653 thousand.

## Bonds and other fixed-income securities

(in Euro thousands)	31/12/2011	31/12/2010	Change
Listed	8,550,195	8,822,805	(272,610)
Non-listed	75,245	79,922	(4,677)
Convertible bonds	25,841	57,230	(31,389)
<b>Total</b>	<b>8,651,281</b>	<b>8,959,957</b>	<b>(308,676)</b>

During 2011, the strategic choice adopted, in view of a detailed analysis of the current macroeconomic scenario and prospects, was a diversification of the sovereign debt risk.

Preference was given on a prudent basis of investments in fixed income securities issued by Germany for Euro 437,153 thousand, a better investment in terms of quality, liquidity and settlement, decreasing the exposure towards bonds issued by Italy for Euro 29,758 thousand, by Spain for Euro 88,226 thousand, by France for Euro 90,775 thousand, by Great Britain for Euro 130,920 thousand and by United States for Euro 46,765 thousand.

The write downs to market value in the income statement amounted to Euro 245,880 thousand, principally relating to the Italian government bonds for Euro 101,208 thousand and Greek bonds for Euro 100,053 thousand, while the write backs amounted to Euro 2,919 thousand.

In relation to the securities issued by the Greek Republic, it is recalled that, based on the sovereign debt restructuring programme of July 21, 2011, a reduction in value was recorded in the half year report aligning the securities in portfolio subject to the above-mentioned plan to market prices and therefore those with maturity before 2020. We highlight that on February 24, 2012 the exchange offer on Greek government securities was approved which provides for every Euro 1,000 of nominal value of securities in circulation, the substitution with:

- 20 Greek government securities for a total nominal value of Euro 315 and expiry between 11 and 30 years;
- 2 new securities issued by the European Financial Stability Fund for a total nominal value of Euro 150;
- GDP linked securities issued by Greece with a notional value equal to the new exchanged securities (Euro 315) which will produce additional interest if Greek GDP grows beyond a fixed threshold;
- short-term Zero Coupon securities issued by the EFSF to hedge the interest matured and not paid on the old Greek government issues at the date of the agreement.

The plan, which establishes March 8 as the expiry date for the declaration of intent, reports a subscription rate by investors of approx. 95%. Company subscribes for all shares held.



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It was considered therefore in the present financial statements, also in view of future expectations, to apply the conditions of a permanent loss in value pursuant to Article 16, paragraph 3 of Legislative Decree 173/1997 relating to all Greek government bonds in portfolio. In addition, although against a strong drop in transactions, it was prudently decided to consider the relative market and therefore reference was made to the stock exchange prices as indication of the prices on these securities. The effect of the write-down was over Euro 100 million.

The decrease in the convertible bonds is principally related to sales for Euro 3,140 thousand, to the advanced conversion of the “BPM Conversion” for Euro 4,071 thousand, for the share capital increase with the bond rights for Euro 10,216 thousand and adjustments of Euro 13,975 thousand.

The listed fixed income securities are recorded in the accounts for a total value higher than the market value of Euro 620,470 thousand determined based on the prices at the end of December and year-end exchange rates. The losses on market value of the non-current portfolio were not considered permanent losses, with the exception of the Greek bonds in the “long-term” section for Euro 83,757 thousand.

The most significant amounts by issuer are shown below:

Issuer - (Euro thousand)	31/12/2011	31/12/2010
ITALIAN STATE	5,834,270	5,938,390
GERMAN STATE	633,059	183,121
INTESA SANPAOLO SPA (EX B.INTESA)	110,296	127,034
ENEL SPA	77,136	88,572
UNICREDIT GROUP	72,160	82,727
SPANISH STATE	62,832	97,232
DEUTSCHE TELEKOM INT. FINANCE	54,912	51,339
GOLDMAN SACHS GROUP INC	54,907	49,090
E.ON INTL FIN BV	51,524	57,856
FRENCH STATE	49,164	69,056
ENI SPA	47,850	63,395
GENERALI FINANCE BV	41,212	39,714
VEOLIA ENVIRONNEMENT	38,135	55,066
EDF Electricité de France	37,891	45,213
TELECOM SPA	35,951	42,308
IBERDROLA FINANZAS SA	34,477	28,783
ENEL FINANCE INTERNATIONAL NV	33,884	2,980
KPN	33,746	38,352
AXA	31,545	29,606
STANDARD CHARTERED BANK	31,448	30,973
BANCO POPOLARE SCPA	29,215	45,472
SIEMENS FINANCIERINGSMAATSCHAPPIJ N	28,475	32,391
ZURICH FINANCE (USA)	28,452	28,182
GREEK STATE	28,388	130,006
HSBC CAPITAL FUNDING (EURO 2) LP	27,795	26,806
BRITISH TELECOMMUNICATIONS PLC	27,148	27,889
FRANCE TELECOM	26,479	46,529
BANK OF AMERICA	25,956	20,732
SOCIETE GENERALE SA	25,373	12,228
SANTANDER ISSUANCES SA UNIPERSONAL	25,189	24,953
GENERAL ELECTRIC CAPITAL CORPORATIO	24,078	23,042
BARCLAYS BANK	23,796	26,643
ALLIANZ FINANCE II BV	23,286	22,271
TELEFONICA EMISIONES SA UNIPERSONAL	23,148	51,183
COMMERZBANK	20,096	20,935
UNIONE DI BANCHE ITALIANE	19,784	16,988
TESCO PLC	19,471	19,461
BANCA MONTE DEI PASCHI DI SIENA	19,163	15,926
VIVENDI	18,919	-
DANSKE BANK	18,752	18,393
IMPERIAL TOBACCO FINANCE PLV	18,463	13,482
GROUPAMA SA	17,691	16,864
CASSA DEPOSITI E PRESTITI SPA	17,686	-
BNP PARIBAS	17,677	30,534
CEZ	17,443	27,858
GAZ CAPITAL	17,289	26,286
PROGRAMA CEDULAS TDA FTA	17,259	16,618
LAFARGE SA	15,625	17,424
GAS NATURAL CAPITAL MARKETS SA	15,399	10,194
IRISH STATE	15,298	14,390
CARREFOUR	15,209	27,291
MORGAN STANLEY	15,027	22,062
Other Issuers	601,853	1,006,117
Total	8,651,281	8,959,957

At 31/12/2011, the following positions were in the portfolio relating to securities with subordination clauses, for a total book value of Euro 613,357 thousand (Euro 668,117 thousand at 31/12/2010): The write-downs for recording values at market value in the income statement amounted to Euro 25,729 thousand.

The characteristics of the individual positions are reported below:

(in Euro thousands)

Section	Issuer	Book value	Nominal value	Maturity date	Level of subordination	Interest rate	Advance repayment
C.III.3	ABN AMRO BANK	1,913	2,500	perpetual	Preferred Stock	4.31%	10/03/16
C.III.3	ALLIANZ FINANCE II BV	23,286	28,500	perpetual	Upper Tier 2	4.375%	17/02/17
C.III.3	ALPHA CREDIT GROUP PLC	4,072	11,000	01/02/17	Lower Tier 2	Euribor 3m+40	01/05/12
C.III.3	ASSURANCE GENERALES DE FRANCE SA	3,042	3,500	Perpetual	Preferred Stock	4.625%	10/06/15
C.III.3	AVIVA PLC	4,329	5,000	02/10/23	Lower Tier 2	5.25%	02/10/13
C.III.3	AVIVA PLC	4,119	5,000	Perpetual	Preferred Stock	4.729%	28/11/14
C.III.3	AXA	16,907	20,500	Perpetual	Preferred Stock	5.777%	06/07/16
C.III.3	AXA	14,638	20,000	16/04/40	Lower Tier 2	5.25%	16/04/20
C.III.3	BANCA CARIGE	3,740	4,000	07/06/16	Lower Tier 2	Euribor 3m+42	07/03/12
C.III.3	BANCA INTERMOBILIARE	963	968	29/07/15	Lower Tier 2	1.50%	29/01/13
C.III.3	BANCA MONTE DEI PASCHI DI SIENA	462	500	30/11/17	Lower Tier 2	Euribor 3m+40	30/11/12
C.III.3	BANCA MONTE DEI PASCHI DI SIENA	4,512	5,000	31/05/16	Upper Tier 2	4.875%	no call
C.III.3	BANCA POPOLARE DELL'EMILIA	182	200	15/05/17	Lower Tier 2	Euribor 3m+35	15/05/12
C.III.3	BANCO BILBAO VIZCAYA ARGENTARIA SA	1,802	2,000	20/10/19	Lower Tier 2	4.38%	20/10/14
C.III.3	BANCO POPOLARE	3,588	5,000	28/04/17	Lower Tier 2	4.75%	no call
C.III.3	BANCO POPOLARE	15,000	15,000	09/09/16	Lower Tier 2	5.70%	no call
C.III.3	BANCO POPOLARE	489	492	31/05/21	Lower Tier 2	6.375%	no call
C.III.3	BANK OF NEW YORK LUX	17,962	30,000	15/12/50	Tier 1	Euribor 3m+450	23/02/16
C.III.3	BANK OF NEW YORK LUX	2,750	10,000	30/12/99	Tier 1	Euribor 3m+425	16/04/12
C.III.3	BARCLAYS BANK	9,099	14,000	Perpetual	Tier 1	4.75%	15/03/20
C.III.3	BARCLAYS BANK	8,204	8,500	23/01/18	Lower Tier 2	6.00%	no call
C.III.3	BBVA INTL PREF SA UNIPERSONAL	2,863	3,500	Perpetual	Tier 1	4.952%	20/09/16
C.III.3	BCA LOMBARDA PST	7,500	7,500	Perpetual	Tier 1	Euribor 3m+337.5	10/03/12
C.III.3	BNP PARIBAS	2,869	3,000	22/01/19	Lower Tier 2	4.375%	22/01/14
C.III.3	BNP PARIBAS	8,485	8,750	Perpetual	Tier 1	8.667%	11/09/13
C.III.3	BNP PARIBAS	4,950	5,000	07/09/17	Lower Tier 2	5.431%	no call
C.III.3	BNP PARIBAS CAPITAL TRUST IV	3,593	3,600	Perpetual	Tier 1	6.342%	24/01/12
C.III.3	BNP PARIBAS CAPITAL TRUST VI	4,359	4,500	Perpetual	Tier 1	5.868%	16/01/13
C.III.3	BNP PARIBAS FORTIS già FORTIS BANK	2,024	3,500	Perpetual	Tier 1	4.63%	27/10/14
C.III.3	COMMERZBANK	7,554	8,000	13/09/16	Lower Tier 2	4.125%	13/03/12
C.III.3	COMMERZBANK	9,499	10,000	29/11/17	Lower Tier 2	5.625%	29/11/12
C.III.3	COMMERZBANK	3,043	6,000	Perpetual	Tier 1	6.352%	30/06/17
C.III.3	COMMERZBANK CAP FNDG TRUST I	7,897	10,500	Perpetual	Tier 1	5.012%	12/04/16
C.III.3	CREDIT AGRICOLE SA	2,099	2,500	Perpetual	Tier 1	4.13%	09/11/15
C.III.3	CREDITO VALTELLINESE	495	500	14/03/15	Lower Tier 2	Euribor 3m+47.5	14/03/12
C.III.3	DANSKE BANK	3,495	3,600	26/03/15	Lower Tier 2	5.875%	26/03/12
C.III.3	DANSKE BANK	1,911	2,000	20/03/16	Lower Tier 2	6.00%	20/03/13
C.III.3	DANSKE BANK	865	1,000	16/03/18	Upper Tier 2	4.10%	16/03/15
C.III.3	DANSKE BANK	7,483	9,000	Perpetual	Tier 1	4.875%	15/05/17
C.III.3	DEUTSCHE BANK AG	1,485	1,500	31/01/13	Lower Tier 2	5.125%	no call
C.III.3	DEUTSCHE CAPITAL TRUST IV	4,590	5,000	Perpetual	Tier 1	5.33%	19/09/13
C.III.3	DONG ENERGY A/S	11,389	12,500	Perpetual	Preferred Stock	5.50%	29/06/15
C.III.3	ERSTE FINANCE	85	200	Perpetual	Preferred Stock	5.25%	23/03/12
C.III.3	GENERAL ELECTRIC CAPITAL CORPORATION	24,078	30,000	15/09/67	Upper Tier 2	5.50%	15/09/17
C.III.3	GENERALI FINANCE BV	4,204	5,000	Perpetual	Preferred Stock	5.479%	08/02/17
C.III.3	GENERALI FINANCE BV	37,007	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	17,691	22,500	Perpetual	Preferred Stock	6.298%	22/10/17
C.III.3	HSBC CAPITAL FUNDING (EURO 2) LP	27,795	30,000	Perpetual	Tier 1	5.3687%	24/03/14
C.III.3	HSBC HOLDINGS PLC	9,989	10,000	19/03/18	Lower Tier 2	6.25%	no call
C.III.3	HYPOVEREINSBANK FUNDING TRUST VIII	2,454	2,500	Perpetual	Tier 1	7.055%	28/03/12
C.III.3	ING BANK	2,751	3,000	15/03/19	Lower Tier 2	4.625%	15/03/14
C.III.3	ING BANK	8,722	9,500	29/05/23	Lower Tier 2	6.125%	29/05/18
C.III.3	INTESA SANPAOLO SPA	6,410	7,000	20/02/18	Lower Tier 2	Euribor 3m+25	20/02/13
C.III.3	INTESA SANPAOLO SPA	29,363	30,000	28/05/18	Lower Tier 2	5.75%	28/05/13
C.III.3	INTESA SANPAOLO SPA	15,406	17,500	Perpetual	Tier 1	8.047%	20/06/18
C.III.3	INTESA SANPAOLO SPA	10,000	10,000	Perpetual	Tier 1	9.50%	01/06/21
C.III.3	INTESA SANPAOLO SPA	5,983	6,000	16/07/20	Lower Tier 2	5.15%	no call
C.III.3	JP MORGAN CHASE BANK	1,862	2,000	29/05/17	Lower Tier 2	4.625%	29/05/12
C.III.3	MUFG CAPITAL FINANCE 4 LTD	6,388	8,000	Perpetual	Tier 1	2.636%	25/01/17

(in Euro thousands)

Section	Issuer	Book value	Nominal value	Maturity date	Level of subordination	Interest rate	Advance repayment
C.III.3	OMV AG	2,966	3,000	Perpetual	Tier 1	6.75%	26/04/18
C.III.3	PIRAEUS GROUP FINANCE	862	3,000	20/07/16	Lower Tier 2	Euribor 3m+55	20/07/12
C.III.3	PROSECURE FUNDING LP	3,984	5,000	30/06/16	Upper Tier 2	4.668%	no call
C.III.3	RBS CAPITAL TRUST A	2,500	5,000	Perpetual	Tier 1	6.467%	30/06/12
C.III.3	ROYAL BANK SCOTLAND	2,528	4,000	22/09/21	Lower Tier 2	4.625%	22/09/16
C.III.3	ROYAL BANK SCOTLAND	4,004	5,000	09/04/18	Lower Tier 2	6.934%	no call
C.III.3	RWE	14,465	14,500	Perpetual	Preferred Stock	4.625%	28/09/15
C.III.3	SANTANDER ISSUANCES SA UNIPERSONAL	6,976	7,500	23/03/17	Lower Tier 2	Euribor 3m+25	23/03/12
C.III.3	SANTANDER ISSUANCES SA UNIPERSONAL	18,213	19,000	24/10/17	Lower Tier 2	5.435%	24/10/12
C.III.3	SG CAPITAL TRUST III	2,729	3,000	Perpetual	Tier 1	5.419%	10/11/13
C.III.3	SIEMENS	17,938	22,000	14/09/66	Preferred Stock	5.25%	14/09/16
C.III.3	SNS BANK	2,565	2,500	Perpetual	Tier 1	5.75%	22/07/13
C.III.3	SOCIETE GENERALE SA	3,670	4,000	07/06/17	Lower Tier 2	Euribor 3m+17.5	07/06/12
C.III.3	SOCIETE GENERALE SA	836	1,000	Perpetual	Tier 1	4.196%	26/01/15
C.III.3	STANDARD CHARTERED BANK	17,615	19,000	03/02/17	Lower Tier 2	3.625%	03/02/12
C.III.3	STANDARD CHARTERED BANK	13,833	15,000	26/09/17	Lower Tier 2	5.875%	no call
C.III.3	STANDARD LIFE FINANCE PLC	2,692	2,500	12/07/22	Lower Tier 2	6.375%	12/07/12
C.III.3	UNICREDIT GROUP	16,787	18,000	05/06/18	Upper Tier 2	6.70%	no call
C.III.3	UNICREDIT GROUP	9,993	10,500	26/09/17	Lower Tier 2	5.75%	no call
C.III.3	UNICREDITO ITALIANO CAPITAL TRUST I	4,111	5,000	Perpetual	Tier 1	4.028%	27/10/15
C.III.3	ZURICH FINANCE (USA)	11,895	12,500	02/10/23	Lower Tier 2	5.75%	02/10/13
	<b>Total</b>	<b>613,357</b>	<b>722,810</b>				

## Government bonds issued by Portugal, Ireland, Greece and Spain

As previously outlined, the current Greek economic conditions recently required the introduction of initiatives to restructure the Greek debt securities. In particular, on July 21, 2011, the International Institute of Finance released a restructuring plan for the Greek sovereign debt concerning the securities with maturity by 2020.

In essence, the plan establishes the faculty for investors to exchange Greek government securities with other financial instruments, providing greater guarantees and extended maturity (15 or 30 years). Utilising a discount rate on coupon cash flows of 9%, each of the types of securities offered will result in a loss of approx. 21% compared to the repayment price.

On October 27, a new agreement between the Eurozone governments and the principal financial institutions was reached which - in order to support the Greek debt and as part of further initiatives to cope with the sovereign debt crises of a number of Eurozone countries - imposed a haircut of 50% on the value of Greek bonds, within a situation still not resolved and which may see further write-downs.

Taking into account the above considerations and further developments at the beginning of 2012, the Greek securities held in portfolio, both in the current and non-current segments, were valued at market prices in the financial statements at December 31, 2011, recording a total impairment of Euro 100 million.

In particular, at December 31:

- the current portfolio includes securities issued by the Greek state for a carrying value of Euro 8.1 million, net of adjustments of Euro 16.3 million;
- the non-current portfolio includes securities issued by Greece, maturing respectively in 2016 (nominal value Euro 5 million), in 2024 (nominal value Euro 19.5 million) and in 2037 (nominal value Euro 79.5 million).

Also these securities were recorded in the financial statements at market prices at December 31, 2011, as considered permanent loss in value representing the difference between cost and market price. An impairment was therefore recorded of Euro 83.8 million, which reduced the carrying value from Euro 104 million, equal to purchase cost, to Euro 20.2 million.

The following table reports the breakdown of government securities issued by the other so-called peripheral Eurozone countries:

(in Euro thousands)

State	Maturity within 12 months	Maturity from 1 a 5 years	Maturity from 6 a 10 years	Maturity Over 10 years	Total book value	Prices at December 31	Losses net unrealised
Spain	-	35,258	-	27,574	62,832	56.708	6,124
Portugal	-	2,998	-	-	2,998	2,055	943
Ireland	-	-	15,298	-	15,298	15,298	-
Italy	378,189	1,982,422	2,379,589	1,094,071	5,834,270	5,233,513	600,757
Greece	-	2,097	7,061	19,230	28,388	28,388	-

These net losses relate principally to securities recorded in the non-current segment, in that those recorded in the current segment in line with the applicable accounting principles for this segment were valued at the lower of book value and market value at December 31. Based on the prices at 26/03/12, date of the Board of Directors' meeting, the unrealised losses reduced to approx. Euro 43,076 thousand.

## Loans

A breakdown follows:

(in Euro thousands)

	31/12/2011	31/12/2010	Change
Loans with collateral	-	-	-
Loans on policies	22,732	28,750	(6,018)
Other loans	3,880	4,346	(466)
<b>Total</b>	<b>26,612</b>	<b>33,096</b>	<b>(6,484)</b>

The "Loans on policies" of life insurance decreased by Euro 6,018 thousand compared to 2010 due to the new loans of Euro 5,304 thousand and repayments of Euro 11,322 thousand.

The account "Other loans" is comprised principally of loans to employees against which no guarantees were provided.

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**Deposits at credit institutions**

They decreased by Euro 184 thousand from Euro 626 thousand in 2010 to Euro 442 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 amounts to Euro 174 thousand (Euro 87 thousand at 31/12/2010). The net increase of Euro 87 thousand compared to the previous year is principally due to valuation gains on hedges.

**Deposits with reinsuring companies**

They decrease by Euro 4,980 thousand from Euro 56,826 thousand at December 31, 2010 to Euro 51,846 thousand at December 31, 2011, of which Euro 26,949 thousand relating to Milano Assicurazioni.

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## 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 May 14, 2011 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.

### Open positions at the end of the year of derivative hedging instruments:

#### Put purchases and call sales on Pirelli & C. ordinary shares

- 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 13,855,786 Pirelli & Co. ordinary shares. This strategy covered a part of the unrealised market gains on the listed equity market, which on expiry settles the difference instead of the delivery of the underlying securities. At December 31, 2011, the contracts report a total market loss of Euro 401 thousand.

#### Put purchases and call sales on Generali shares (Non-Life Division)

- 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 6,250,107 Generali ordinary shares (Non-Life Division). This strategy fixed the sales price of securities, which on expiry settles the difference instead of the delivery of the underlying securities. In 2011, relating to the open positions, Euro 58 thousand was recorded under income to be realised regarding the difference between premiums received and premiums paid. At December 31, 2011, the contracts report a total market loss of Euro 1,195 thousand recorded under impairments.

#### Put purchases and call sales on Generali shares (Life Division)

- 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 195,252 Generali ordinary shares (Life Division). This strategy fixed the sales price of securities, which on expiry settles the difference instead of the delivery of the underlying securities. In 2011, Euro 259 thousand was recorded under income to be realised and Euro 229 thousand under charges to be realised regarding the difference between premiums received and premiums paid. On December 31, 2011, the contracts report a total market gain of Euro 146 thousand recorded under valuation gains.

#### Put purchases and call sales on Unicredit 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 1,325,788 Unicredit ordinary shares (post regrouping). This strategy fixed the sales price of securities, which on expiry settles the difference instead of the delivery of the underlying securities. In 2011, relating to the open positions, Euro 5

thousand was recorded under gains to be realised regarding the difference between premiums received and premiums paid. On December 31, 2011, the contracts report a total market gain of Euro 2,221 thousand

### Put purchases and call sales on Banca Popolare di Milano shares

- 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 23,176,040 Banca Popolare di Milano ordinary shares. This strategy fixed the sales price of securities, which on expiry settles the difference instead of the delivery of the underlying securities. At December 31, 2011, the contracts report a total market loss of Euro 898 thousand recorded under impairments.

### Interest rate swaps

Summarised table:

(in Euro  
thousands)

Notional	Expiry	Counterparty	Fixed rate %	Variable rate	Negative differential recorded in 2011	Valuation at 31/12/2011
200,000	07/23/13	Mediobanca	3.970	Euribor 6 m Act/360	(4,910)	(7,993)
100,000	07/23/13	Mediobanca	3.990	Euribor 6 m Act/360	(2,475)	(4,027)
100,000	07/23/13	Mediobanca	3.930	Euribor 6 m Act/360	(2,415)	(3,935)
150,000	07/14/16	Unicredit Bank	3.180	Euribor 6 m Act/360	(2,495)	(9,915)
100,000	12/30/15	Royal Bank of Scotland	3.080	Euribor 6 m Act/360	(1,552)	(5,900)
100,000	07/14/18	Royal Bank of Scotland	3.309	Euribor 6 m Act/360	(1,793)	(7,963)
150,000	07/14/18	Unione di Banche Svizzere	2.145	Euribor 6 m Act/360	-	(1,407)
<b>900,000</b>					<b>(15,640)</b>	<b>(41,140)</b>

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 2011 amounts to Euro 4,910 thousand and were recorded under investment charges; the data includes also the deferred charge of Euro 1,814 thousand. At 31/12/11, the contract had a valuation loss of Euro 7,993 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 2011 amounts to Euro 2,475 thousand and were recorded under investment charges; the data includes also the deferred charge of Euro 915 thousand. At 31/12/11, the contract had a valuation loss of Euro 4,027 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 2011 amounts to Euro 2,415 thousand and were recorded under investment charges; the data includes also the deferred charge of Euro 890 thousand. At 31/12/11, the contract had a valuation loss of Euro 3,935 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 2011 amounts to Euro 2,495 thousand and were recorded under investment charges; the data includes also the deferred charge of Euro 912 thousand. At 31/12/11, the contract had a valuation loss of Euro 9,915 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 2011 amounts to Euro 1,552 thousand and were recorded under investment charges; the data includes also the accrued interest of Euro 5 thousand. At 31/12/11, the contract had a valuation loss of Euro 5,900 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 2011 amounts to Euro 1,793 thousand and were recorded under investment charges; the data includes also the deferred charge of Euro 667 thousand. At 31/12/11, the contract had a valuation loss of Euro 7,963 thousand.
- Interest Rate Swap with expiry July 14, 2018 made with U.B.S. for a nominal amount of Euro 150,000 to hedge the interest risk on the remaining part of the hybrid perpetual subordinated loan agreed in 2008; with this latter I.R.S. contract, the subordinated loan of 2008 is entirely covered for the entire Euro 250,000 thousand. With this contract the counterparty received the fixed rate of 2.145% paying Euribor at 6 months. The differences between fixed cash flows and variable cash flows will be exchanged from 2012. At 31/12/11, the contract had a valuation loss of Euro 1,407 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 2011	Valuation at 31/12/2011
5,000	02/20/13	Morgan Stanley	Serbian Republic	306 bps per year	(156)	-
10,000	02/20/13	Morgan Stanley	Serbian Republic	300 bps per year	(306)	6
10,000	02/20/13	Morgan Stanley	Serbian Republic	285 bps per year	(289)	22
<b>25,000</b>					<b>(751)</b>	<b>28</b>

In details:

- 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 2011 amounted to Euro 156 thousand; the accrued expenses amounted to Euro 57 thousand. At December 31, 2011, there were no valuation gains or losses.
- 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 2011 amounted to Euro 306 thousand; the accrued expenses amounted to Euro 111 thousand. At 12/31/11 the valuation gain was Euro 6 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

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and expensed in 2011 amounted to Euro 289 thousand; the accrued expenses amounted to Euro 104 thousand. At 12/31/11 the valuation gain was Euro 22 thousand.

- Investment charges also includes Euro 271 thousand relating to the quota of premiums on the Credit Default Swap indicated above and Euro 273 thousand reversed from the previous year.

#### **Options on index-linked securities**

- The amount at 31/12/2011 of the options related to international equity baskets or indices was Euro 28 thousand (at 31/12/2010 Euro 87 thousand); the gains realised in the year on these options amounted to Euro 4 thousand, with the losses realised amounting to Euro 66 thousand and alignment to market prices amounting to Euro 4 thousand.

At December 31, 2011, there was no provision for risks and charges as there were no derivatives with losses.

At December 31, 2011, Euro 27,050 thousand was paid to the counterparties as collateral of the guarantees on the market losses on all derivatives (Credit Support Annex) recorded under other receivables and broken down as follows:

Morgan Stanley Euro 1,330 thousand, Royal Bank of Scotland Euro 15,640 thousand, Unione di Banche Svizzere Euro 1,070 thousand, Unicredit Euro 9,010 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 income & charges realised on underlying	Decrease in net book value
(in Euro thousands)						
<b>MEDIOBANCA:</b>						
Underlying assets	7,165,329	-		-	2,140	-
Options	7,165,329	9,042		70	-	-
<b>MONTE DEI PASCHI DI SIENA:</b>						
Underlying assets	5,097,160	-		-	(419)	-
Options	5,097,160	678		-	-	-
<b>PRELIOS:</b>						
Underlying assets	4,000,000	-		-	367	-
Options	4,000,000	108		1	-	-
<b>PIRELLI &amp; C. ord:</b>						
Underlying assets	-			-	-	(8,990)
Options	9,043,485	-		(2,328)	-	-
<b>Impact on carrying value of the underlying</b>	-	-		-	-	<b>(8,990)</b>
<b>Economic result deriving from sale of the underlying</b>	-	-		-	<b>2,088</b>	-
<b>Economic result deriving the closure of the options</b>	-	<b>9,828</b>		<b>(2,257)</b>	-	-

In detail:

- Mediobanca - a total closure of the residual part of the hedge through the closure in the third quarter of 2011 of 7,165,329 options which resulted in income of Euro 9,042 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 5,203,000 shares in the non life class was made realising a gain of Euro 3,364 thousand recorded under extraordinary income as the shares of Mediobanca to which they refer were recorded in the non-current segment and to the sale of 1,962,329 shares in the life class realising a loss of Euro 1,224 thousand, recorded under extraordinary charges. The positive differentials between receipts and payments amounted to Euro 70 thousand and were recorded under gains realised
- Monte dei Paschi - total closure of the hedge through the closure in the second quarter of 2011 of 5,097,160 options which resulted in income of Euro 678 thousand as the average strike price above the market price and

recorded under asset and financial income (gains realised). In addition to the closure of the options, sales were made in 2011 of 27,740,109 shares (of which 5,097,160 hedged) realising a gain of Euro 494 thousand and a loss of Euro 3,756 thousand (of which Euro 419 thousand relating to hedges).

- Prelios – total closure of the hedge through the closure in the second quarter of 2011 of 4,000,000 options which resulted in income of Euro 108 thousand as the average strike price above the market price and recorded under asset and financial income (gains realised). In addition to the closure of the options, sales were made of 16,382,307 shares in the non-current segment (of which 4 million hedged), realising a gain of Euro 1,656 thousand (of which Euro 367 thousand hedged) recorded under extraordinary income. During the year the positive differentials between receipts and payments amounted to Euro 1 thousand and were recorded under gains realised.
- Pirelli & C. ord. – partial reversal of the coverage through the closure of 9,043,485 options. The positive difference between the strike and market price of Euro 8,990 was recorded as a reduction in the carrying value of the underlying securities, as the shares were not sold. During the year, the negative differentials between receipts and payments was Euro 2,454 thousand and was recorded as losses realised while the positive amount of Euro 127 thousand was recorded under gains 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
RANGE ACCRUAL SWAP	558	116	-	-
CREDIT DEFAULT SWAP	6	-	-	(59)
BTP SPREAD SWAP	-	-	(1,050)	-
CALL SALES ON SHARES	608	-	-	-
PUT SALES ON SHARES	147	-	-	-
<b>Economic result</b>	<b>1,319</b>	<b>116</b>	<b>(1,050)</b>	<b>(59)</b>

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In detail:

### **Range Accrual Swap**

- Range Accrual Swap on a nominal amount of Euro 2,500 thousand with Banca IMI, expiry 7/5/2020; under this contract the counterparty receives 3% annually and pays 6.50% 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 H1 2011 cash flows amounted to Euro 34 thousand and were recorded under investment income. The closure of the contract resulted in a gain realised of Euro 201 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 H1 2011 cash flows amounted to Euro 26 thousand and were recorded under investment income. The closure of the contract resulted in a gain realised of Euro 66 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. The positive differential of H1 2011 cash flows amounted to Euro 56 thousand and were recorded under investment income. The closure of the contract resulted in a gain realised of Euro 291 thousand.

### **Credit Default Swap**

- 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 2011 amounted to Euro 59 thousand. The closure of the contract resulted in a gain realised of Euro 6 thousand.

### **Btp spread swap**

- Bond spread swap with Royal Bank of Scotland on a notional Euro 20 million, strike 140.50 bps. The contract was signed and closed in advance of maturity in the first half of 2011. Against the closure of the contract Euro 550 thousand was paid recorded under charges realised.
- Bond spread swap with Goldman Sachs on a notional Euro 15,000 thousand, strike 144.75 bps. The contract was signed and closed in advance of maturity in the first half of 2011. Against the closure of the contract Euro 500 thousand was paid recorded under charges realised.

### **Call sales on shares**

- The sale of call options on Banca Monte dei Paschi di Siena shares with expiry May 9, 2011; quantity 5,100,000, strike 0.9807. The premium received, amounting to Euro 91 thousand, was recorded under income realised in that the option was abandoned by the counterparty.
- Call sales option Generali shares with maturity October 2011; quantity 1,728,000, strike 13.725; quantity 1,728,000, strike 13.421; quantity 864,000, strike 13.26. The premiums received, amounting to Euro 170 thousand, were recorded under income realised in that the options were abandoned by the counterparty. In relation to the sale of call options closed in advance the differential between that received and that paid for the closure was recorded under income realised of Euro 103 thousand.
- Call sales options on other shares. The premiums received, amounting to Euro 81 thousand, were recorded under income realised in that the options were abandoned by the counterparty. In relation to the sale of call

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options closed in advance the differential between that received and that paid for the closure was recorded under income realised of Euro 163 thousand. The counterparty exercised the call sales options on Asml ordinary shares.

- Put sales options on other shares. The premiums received, amounting to Euro 147 thousand, were recorded under income realised in that the options were abandoned by the counterparty. The counterparty exercised the put sales options on Gdf Suez ordinary shares.

## **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’ meeting resolution of May 14, 2011 redefined the guidelines in order to better stabilise the financial instruments portfolio.

The asset management policy of the Parent Company Fondiaria Sai is based on a prudent approach and focused on preserving capital solidity and meeting the underwriting commitments to policyholders through the identification of the correct level between the different investment categories that best meet the implicit commitments in the liabilities against the specific capital and financial position.

Particular attention was focused on the macroeconomic situation, on the market trends within the various asset classes and the relative impacts on the combined asset-liability management.

The choice of assets applies the principle of an adequate diversification and disbursement of the assets taken into account limits in relation to structure, composition and risk of the portfolio. These limits are imposed in line with the Group risk tolerance and are indicative of the level of risk which the company is prepared to undertake against each type of asset.

The securities in the “non-current investments” are those held in the company’s assets as “stable investments”, on the condition that they are held in line with the management strategic lines of the Company and its economic and financial performance.

A further condition for a non-current financial instrument is that it must have at least a BBB- rating or equivalent.

The non-current assets represented by securities and investments at 31/12/2011 amounted to Euro 9,497,697 thousand, corresponding to approx. 70.82% of the securities portfolio of the company (classes C.II and C.III) divided as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Change
Investments and funds	3,856,968	4,200,795	(343,827)
Fixed-income securities	5,640,729	3,960,663	1,680,066
<b>TOTAL</b>	<b>9,497,697</b>	<b>8,161,458</b>	<b>1,336,239</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>3,334,747</b>	<b>-</b>
<b>Investments in associated companies</b>	<b>34,062</b>	<b>-</b>
<b>Other companies:</b>		
<u>Listed</u>		
MEDIOBANCA	186,384	27,054,271
PIRELLI & C ORD post raggruppamento	100,662	7,544,264
GEMINA ORD	61,336	21,032,307
RCS Mediagroup ORD (ex HDP)	20,210	61,336,588
UNICREDIT SPA NEW	11,680	13,257,888
BANCA INTERMOBILIARE	11,217	16,430,498
INDUSTRIA E INNOVAZIONE SPA	1,600	2,683,400
INTESA SAN PAOLO ORD	828	16,382,307
Total listed companies	393,917	-
Total mutual investment funds	150	-
<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	26,686	-
Total non-listed companies	94,092	-
<b>Total other companies</b>	<b>488,159</b>	<b>-</b>
<b>TOTAL</b>	<b>3,856,968</b>	<b>-</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 1,730,389 thousand, of which Euro 1,069,445 thousand refers to equity investments and Euro 660,944 thousand referring to fixed income securities.

The principal net losses, relating to the investment in the segment, are the following:

**Company**

(in Euro thousands)

<b>Investments in subsidiaries, of which:</b>	<b>(995,156)</b>
<b>Milano Assicurazioni</b>	<b>(995,156)</b>
<b>Investments in other listed companies</b>	<b>(74,289)</b>
Gemina	(25,258)
Mediobanca	(67,034)
RCS Mediagroup	(9,157)
Banca Intermobiliare	(3,789)
Unicredit	(3,176)
Pirelli & C	35,289
Others	(1,164)
<b>TOTAL</b>	<b>(1,069,445)</b>

Overall non-current assets recorded losses recorded in the income statement for Euro 689,395 thousand, relating to investments in listed subsidiary companies for Euro 233,463 thousand, investments in non-listed subsidiaries Euro 315,991 thousand, investments in associated companies for Euro 1,610 thousand, investments in group companies for Euro 9,095 thousand, investments in listed companies for Euro 34,734 thousand, Greek government bonds for Euro 83,757 thousand and convertible bonds for Euro 10,745 thousand.

Obligatory restatement of values were also recorded of Euro 62 thousand entirely relating to mutual property funds.

With reference to the investments held in Unicredit, RCS and Gemina, the valuation was made based on internal analysis, in order to determine the recoverable value of the above-mentioned investments from a medium-long term period viewpoint, which does not appear in line with current Stock Market movement.

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.



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With reference to the investment in **Unicredit**, following the persistent fall in the share price and reduction in the relative analysis consensus (conditions not on their own sufficient to consider the change between carrying value and market value as permanent loss in value) an update of the analysis made for the 2010 financial statements was carried out.

This analysis, undertaken utilising the DDM methodology and integrated on the basis of the extraordinary operations which involved the share in the final months of 2011 and first months of 2012, was made only on the basis of public information available (such as third quarter at September 30, 2011, the resolutions relating to scrip ordinary and savings shares, the share capital information prospectus and the 2013-2015 industrial plan) in accordance with a so-called “desk valuation” and therefore based on the information published by the company. The above analysis was undertaken in order to determine the recoverable value of the investment from a medium-long term period viewpoint, which does not appear in line with current Stock Market movements.

In particular, at September 30 the company reported a loss, not contained in the previous plan, related to the goodwill recorded following acquisitions and allocated to the different CGU's. The forecast result for 2011 was determined taking into consideration these interim write downs. In addition the information prospectus relating to the 2012 share capital increase illustrates the key data of the 2013-2015 new industrial plan, which forecasts an increase in the brokerage margin and substantial stability in operating costs, with specific attention to the markets of the various business units.

This provided the necessity to reduce the carrying value of these shares identifying a recoverable value of Euro 8.81, corresponding to an equity value of Euro 33,611 million with a write-down recognised in the income statement of Euro 29,491 thousand.

The investment held in **RCS Mediagroup** was analysed through the DCF method discounted for the write-down of the activities held in Spain.

In particular for RCS, a unitary value range was identified between Euro 1.15 and Euro 1.55, following sensitivity analysis in relation to changes both to the discount rate and to the growth rate. The Company therefore reduced the value of the shares to Euro 1.23, identifying the lower limit of the sensitivity interval on variations of 25 bps.

In relation to **Gemina** the loss compared to market values was not considered a permanent loss in value. The valuation made through the DCF method applied to the Gemina S.p.A. plan reports a total valuation interval between Euro 0.83 and Euro 1.26, with a medium value of Euro 1.01, above the maximum carrying value per share. In addition also the net equity value per share was above the above-mentioned book value.

With reference to **Milano Assicurazioni** the analysis on the recoverable value reported the necessity to recognise a write-down of approx. Euro 233 million, recording a recoverable unitary value of Euro 1.1.

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 method calculates the economic value as the sum of the capital values attributed to the various business lines of Milano Assicurazioni (life, non-life and real estate business).

The principal parameters chosen, methods utilised and the results calculated through the valuation described were validated by a specifically appointed independent expert, who issued a fairness opinion.

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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 2012 budget of the Milano Group for the 2013-2014 plan, in addition to projections for the 2015-2016 period on the principal indicators such as premiums, the combined ratio and investment income, in order to reflect a normal 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 method applied is the simple equity method, based on the calculation of the adjusted net equity allocated and of the equity adjustments made to realign the value of assets and liabilities to the current market value, net of the related tax effect.

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 1.04 and Euro 1.17.

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 31/12/2010	8,161,458
- mergers and acquisitions	923,254
- capital operations	413,475
- discounting	20,525
- sales and mergers	(503,809)
- transfers to current portfolio	(150,885)
- transfers to permanent portfolio	1,323,012
- value adjustments	(689,333)
Total at 31/12/2011	9,497,697

As the Generali 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 150,885 thousand.

This resulted in the relative valuation loss of Euro 59,530 million.

The transfer to the “non-current” portfolio related to Italian government bonds denominated in Euro with maturity between 2015 and 2021 for a carrying value of Euro 1,323,012 thousand, relating to the quantity held and their relative fair value at September 1, 2011, generating valuation losses recognised in the income statement totalling Euro 38,912 thousand. This operation was made in order to preserve the capital of the company from excessive volatility consequent of the turbulence on the sovereign debt securities markets, considered of an exceptional and extraordinary nature.

## SECTION 3

### INVESTMENTS WHERE RISK IS BORNE BY LIFE POLICYHOLDERS AND PENSION FUND MANAGEMENT – (Account D)

They amount to Euro 396,568 thousand and refer for Euro 184,368 thousand to Investments in class D.I. and for Euro 212,200 thousand to Investments in class D.II. (at 31/12/2010 Euro 434,766 thousand, of which Euro 229,145 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 176 thousand due to advanced redemptions and payments on contracts. 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)	2011	2010	Change
<b>Index-linked</b>	105,649	145,273	(39,624)
<b>Unit-linked</b>	78,719	83,872	(5,153)
<b>Pension funds</b>	212,200	205,621	6,579
<b>TOTAL</b>	<b>396,568</b>	<b>434,766</b>	<b>(38,198)</b>

The change principally relates, for the Index-linked securities, to the repayment of corporate listed securities of Euro 32,458 thousand, for unit-linked securities to the purchase of mutual funds for Euro 25,293 thousand and the sale in the same class for Euro 27,319 thousand.

The change in pension funds principally follows an increase in Government bonds for Euro 13,989 thousand and a decrease in mutual investment funds for Euro 6,988 thousand.

Attachment 11 and 12 show, separately for each product type, the composition of the investments.

The composition 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-europas Segment	Previ-global Segment
<b>Management lines</b>						
Shares and quotas	-	668	9,623	255	3,897	1,956
Bonds and fixed-income securities	8,752	9,037	10,745	2,069	759	397
Other assets	831	694	1,074	138	728	449
	<b>9,583</b>	<b>10,399</b>	<b>21,442</b>	<b>2,462</b>	<b>5,384</b>	<b>2,802</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	33,090	13,365	-	290	615
Bonds and fixed-income securities	6,115	14,363	17,208	3,727	7,710
Other assets	4,493	1,844	1,301	183	529
	<b>43,698</b>	<b>29,572</b>	<b>18,509</b>	<b>4,200</b>	<b>8,854</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	10,227	7,569	-	1,151	75
Bonds and fixed-income securities	1,817	8,376	5,749	15,093	2,236
Other assets	922	926	430	567	157
	<b>12,966</b>	<b>16,871</b>	<b>6,179</b>	<b>16,811</b>	<b>2,468</b>

## SECTION 4

### TECHNICAL RESERVES – REINSURANCE AMOUNT – (Account D bis)

They recorded a total decrease of Euro 128,242 thousand, as illustrated in the table below:

(in Euro thousands)

	31/12/2011	31/12/2010	Change
<b>NON-LIFE DIVISION</b>			
Unearned premium reserve	50,255	51,397	(1,142)
Claims reserve	210,946	282,689	(71,743)
<b>TOTAL</b>	<b>261,201</b>	<b>334,086</b>	<b>(72,885)</b>
<b>LIFE DIVISION</b>			
Actuarial reserves	42,948	99,603	(56,655)
Reserve for sums to pay	4,360	3,062	1,298
<b>TOTAL</b>	<b>47,308</b>	<b>102,665</b>	<b>(55,357)</b>
<b>TOTAL</b>	<b>308,509</b>	<b>436,751</b>	<b>(128,242)</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.

In particular, a reduction of the claims reserves borne by the policyholders is principally due to the termination of the reinsurance agreement in claims excess in the Motor TPL class with the subsidiary counterparty The Lawrence Re.

The operation was completed at the end of 2011 with the commutation of the agreement and the simultaneous financial settlement of the claims reserve ceded.

The operation resulted in the recognition of a charge in the income statement of approx. Euro 4 million.

Other technical reserves of the Non Life and Life classes of reinsurers were not recorded in the accounts.

## SECTION 5

### RECEIVABLES - (Account E)

(in Euro thousands)	31/12/2011	31/12/2010	Change
Receivables from direct insurance operations	1,191,179	1,186,404	4,775
Receivables from reinsurance operations	50,760	69,180	(18,420)
Other receivables	695,078	646,534	48,544
	<b>1,937,017</b>	<b>1,902,118</b>	<b>34,899</b>

### Receivables from direct insurance operations

(in Euro thousands)	31/12/2011	31/12/2010	Change
Receivables from policyholders for premiums	424,412	454,959	(30,547)
Insurance brokers	552,114	592,684	(40,570)
Insurance company current accounts	124,196	84,732	39,464
Policyholders and others for sums to be recovered	90,457	54,029	36,428
	<b>1,191,179</b>	<b>1,186,404</b>	<b>4,775</b>

Against the total gross amount of Euro 463,269 thousand of receivables from policyholders for premiums (of which Euro 416,883 thousand relating to premiums for the year and Euro 46,386 thousand relating to premiums for previous years), at 31/12/2011 a doubtful debt provision for possible non collection from policyholders for Euro 38,857 thousand was recorded (Euro 10,029 thousand for premiums relating to the current year and Euro 28,828 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)	31/12/2011	31/12/2010	Change
Accident	3,006	1,929	1,077
Health	2,649	2,608	41
Land vehicles	1,872	2,097	(225)
Aviation	9	8	1
Maritime	669	540	129
Goods in transit	943	885	58
Fire	5,981	5,056	925
Other property damage	3,118	3,098	20
Motor TPL	3,086	4,004	(918)
Aviation TPL	11	8	3
Maritime TPL	9	16	(7)
General TPL	4,154	4,053	101
Credit	-	-	-
Bonds	12,732	12,850	(118)
Pecuniary losses	382	200	182
Legal expenses	36	31	5
Assistance	46	35	11
<b>TOTAL NON-LIFE DIVISION</b>	<b>38,703</b>	<b>37,418</b>	<b>1,285</b>
<b>Life insurance</b>	<b>154</b>	<b>154</b>	<b>-</b>
<b>TOTAL LIFE DIVISION</b>	<b>154</b>	<b>154</b>	<b>-</b>
<b>TOTAL</b>	<b>38,857</b>	<b>37,572</b>	<b>1,285</b>

The provision in the year amounted to Euro 12,177 thousand and the utilisation against losses in the year amounted to Euro 10,891 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 587,019 thousand, a prudent provision was made of Euro 34,905 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 124,371 thousand, a Doubtful Debt Provision was made of Euro 175 thousand.

## Receivables from reinsurance operations

(in Euro thousands)	31/12/2011	31/12/2010	Change
Insurance and reinsurance companies	50,599	69,020	(18,421)
Reinsurance brokers	161	160	1
	<b>50,760</b>	<b>69,180</b>	<b>(18,420)</b>

The gross value of the receivables deriving from reinsurance operations, amounting to Euro 60,599 thousand, is adjusted prudently by the amount of Euro 10,000 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)	31/12/2011	31/12/2010	Change
Tax receivables	407,359	420,939	(13,580)
Group IRES income tax receivables	20,222	15,386	4,836
Receivables from subsidiaries	164,662	161,801	2,861
Other receivables	58,701	37,489	21,212
Customers and rental	58,907	27,504	31,403
Doubtful debts provision	(14,773)	(16,585)	1,812
<b>Total</b>	<b>695,078</b>	<b>646,534</b>	<b>48,544</b>

The “Other Receivables” amount to Euro 709,851 thousand (Euro 663,119 thousand in 2010) prudently adjusted for an amount of Euro 14,773 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 407,359 thousand.

Of these, Euro 212,818 thousand relates to Group Ires income tax credit from the excess in the 2010 balance, of which Euro 100,000 thousand was requested for payment, while Euro 6,130 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 20,222 thousand relating to the income tax for the year of these companies transferring the assessable income, of which Euro 4,776 thousand relating to the tax estimate for 2011.

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.

Receivables from subsidiaries principally refer to receivables for personnel secondment amounting to Euro 150,152 thousand.

Other receivables includes Euro 27,050 thousand paid to the counterparties as collateral of the guarantees on the market losses on all derivatives open (Credit Support Annex) as follows: Royal Bank of Scotland Euro 15,640 thousand, Unicredit Euro 9,010 thousand, Morgan Stanley Euro 1,330 thousand and Unione di Banche Svizzere Euro 1,070 thousand.

The trade receivables include receivables deriving from the sale of the building at Rome in Località Castel Giubileo and the building in Florence Via Masaccio, 216 of Euro 37,626 thousand and Euro 510 thousand respectively.

## 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)	Receivables from policyholders for premiums	Other receivables from direct insurance operations	Receivables relating to reinsurance balance	Other receivables and loans	Total
Within 1 year	424,412	602,443	102,606	556,273	1,685,735
Between 1 and 5 years	-	65,722	-	142,684	208,407
Over 5 years	-	98,602	-	22,732	121,334
<b>TOTAL</b>	<b>424,412</b>	<b>766,767</b>	<b>102,606</b>	<b>721,690</b>	<b>2,015,475</b>

The receivables due between one and five years consist of Euro 139,032 thousand of receivables from the tax authorities, Euro 3,652 thousand employee loans and Euro 65,722 thousand receivables from agents.

The receivables due over five years refer for Euro 98,602 thousand to receivables from agents and Euro 22,732 thousand to loans provided on policies.



## SECTION 6

### OTHER ASSETS – (Account F)

The breakdown is as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Change
Fixed assets and inventories	11,598	13,078	(1,480)
Cash and cash equivalents	459,230	295,699	163,531
Treasury shares	1,982	20,245	(18,263)
Other assets	859,108	345,029	514,079
<b>TOTAL</b>	<b>1,331,918</b>	<b>674,051</b>	<b>657,867</b>

### Fixed assets and inventories

(in Euro thousands)	31/12/2011	31/12/2010	Change
Furniture, EDP and internal transport	7,054	8,446	(1,392)
Tangible assets recorded in public registers	4	10	(6)
Plant and equipment	420	502	(82)
Stocks and other assets	4,120	4,120	-
<b>TOTAL</b>	<b>11,598</b>	<b>13,078</b>	<b>(1,480)</b>

The assets are depreciated as follows:

(values in %)	2011	2010
Furniture, EDP and internal transport	66.37	61.27
Tangible assets recorded in public registers	93.76	82.56
Plant and equipment	78.53	74.91

These amounts are considered non-current and the movements in the year were as follows:

(in Euro thousands)	2011	2010
Purchases	157	1,045
Sales	-	(27)
Depreciation provision	(1,637)	(1,728)
	<b>(1,480)</b>	<b>(710)</b>

## Cash and cash equivalents

(in Euro thousands)	31/12/2011	31/12/2010	Change
Bank and postal deposits	458,965	295,619	163,346
Cheques and cash on hand	265	80	185
<b>TOTAL</b>	<b>459,230</b>	<b>295,699</b>	<b>163,531</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 4,224 thousand.

Bank deposits amount to Euro 216,436 thousand, relating to 29 current accounts opened at the subsidiary BancaSai S.p.A.

The increase in liquidity at December 31, 2011 compared to December 31, 2010 is due to the sale of Italian government securities in December for approx. Euro 250 million; the liquidity from the operation was in part absorbed by treasury commitments and in part invested in 7/14-day time deposit operations with primary counterparty banks.

## Treasury shares

In 2011, the company did not carry out any share buy-back operations.

The account decreased by Euro 18,263 thousand exclusively due to the impairment at the end of the year on the shares.

Therefore at 31/12/2011 a total of 3,200,000 Fondiaria-SAI S.p.A. ordinary shares were held for a carrying value of Euro 1,982 thousand.

At 31/12/2011, no savings shares were held in portfolio.

## Other assets

(in Euro thousands)	31/12/2011	31/12/2010	Change
Receivable transitory reinsurance accounts	3,847	3,154	693
Other assets	855,261	341,875	513,386
	<b>859,108</b>	<b>345,029</b>	<b>514,079</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 Life management of Euro 39,022 thousand.

The other assets principally 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.

In relation to the movements in the year and the underlying factors, reference should be made to the account income taxes.

The amount recorded at year-end amounted to Euro 760,105 thousand and derives from reversals totalling Euro 34,616 thousand and assets arising in the year of Euro 538,234 thousand, of which Euro 2,008 thousand due to the increase in the nominal IRAP rate.

Among the reversals are Euro 21,978 thousand of higher taxes recorded in the income statement for the year, while Euro 12,638 thousand refers to the prepaid taxes against their transformation into receivables from the tax authorities as permitted by Article 2, paragraph 55 and thereafter of Legislative Decree 225/2010.

The recording of the deferred tax assets is justified both by the changed recovery profile of the fiscal losses (entry into force of Legislative Decree 98/2011 which sanctioned the unlimited carry forward of fiscal losses) and internal analysis undertaken which, commencing from the 2012-2014 plan, supplemented by further projections for the subsequent years, permits the recording of future accessible income capable of absorbing the losses over a reasonable time period.

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 18,397 thousand.

The breakdown of the principal “Other assets” is shown below:

(in Euro thousands)	31/12/2011	31/12/2010
Non-Life/Life transit account	39,022	29,443
Deferred tax assets	760,105	256,486
Indemnities paid not applied	11,885	4,331
Actuarial reserve tax as per Leg. Decree No. 209/02	18,397	19,135
Conti Colleg. Sede / Dir. Op.	17,865	14,023

## SECTION 7

### PREPAYMENTS AND ACCRUED INCOME – (Account G)

(in Euro thousands)	31/12/2011	31/12/2010	Change
Interest	137,221	135,068	2,153
Rental	-	1	(1)
Other prepaid and accrued income	5,217	5,283	(66)
	<b>142,438</b>	<b>140,352</b>	<b>2,086</b>

The composition of prepaids and accrued income are as follows:

(in Euro thousands)	Accrued income	Deferred income	Total
Interest	136,221	1,000	137,221
Rental	-	-	-
Other prepaid and accrued income	3,815	1,402	5,217
	<b>140,036</b>	<b>2,402</b>	<b>142,438</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)	31/12/2011	31/12/2010	Change
Share capital	494,731	167,044	327,687
Share premium reserve	331,230	209,947	121,283
Revaluation reserve	200,025	200,025	-
Legal reserve	35,536	35,536	-
Reserves for treasury shares and shares of holding companies	4,271	34,352	(30,081)
Other reserves	1,205,928	1,811,985	(606,057)
	2,271,721	2,458,889	(187,168)
<b>Net result</b>	<b>(1,020,368)</b>	<b>(636,408)</b>	<b>(383,960)</b>
<b>TOTAL</b>	<b>1,251,353</b>	<b>1,822,481</b>	<b>(571,128)</b>

The share capital, subscribed and fully paid-in, comprises 367,047,470 ordinary shares and 127,683,666 saving shares, of a nominal value of Euro 1 each.

The share capital changed following the subscription of the ordinary and savings shares issued by Fondiaria-SAI in July.

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 (ordinary shares)	122,908,499	244,138,971	367,047,470
Share capital comprising saving shares	49,611,690	78,071,976	127,683,666
<i>Share capital</i>	172,520,189	322,210,947	494,731,136
<i>Capital reserves</i>	576,730,278	1,200,259,745	1,776,990,023
<b>TOTAL</b>	<b>749,250,467</b>	<b>1,522,470,692</b>	<b>2,271,721,159</b>

Following the share capital increase, the share premium reserve increased by Euro 121,283 thousand.

The detail of the revaluation reserve are as follows:

(in Euro thousands)	31/12/2011	31/12/2010	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	-
	200,025	200,025	-

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 4,271 thousand, is composed of Euro 1,982 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 31/12/2011 (Euro 20,245 thousand in 2010), while the residual amount of Euro 2,289 thousand is equal to the cost of the shares of the parent company held in portfolio by the Company at the same date (Euro 14,107 thousand in 2010) and in compliance with article 2359 of the Civil Code.

The non distributable reserve for treasury shares decreased by Euro 18,263 thousand exclusively due to the adjustment recorded at the end of the year on the shares.

Similarly, the decrease of Euro 11,818 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)	31/12/2011	31/12/2010	Change
Extraordinary reserve	216,692	805,410	(588,718)
Reserve for purchase of treasury shares	2,500	3,750	(1,250)
Reserve for purchase of holding company's shares	500	750	(250)
Share premium reserve for sale of non exercised option rights	4,563	4,294	269
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	865,185	881,293	(16,108)
	1,205,928	1,811,985	(606,057)

The extraordinary reserve decreased by Euro 588,718 thousand following the operations described below:

- decrease of Euro 620,299 thousand due to the allocation approved by the Shareholders' Meeting of April 28, 2011 to fully cover the 2010 losses of the Non-Life division and partially cover the loss in the Life Division in 2010;
- increase of Euro 18,263 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 11,818 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 2,500 with transfer to the reserve to purchase treasury shares in accordance with the Shareholders' Meeting resolution of April 28, 2011;
- decrease of Euro 500 thousand with transfer to the reserve to purchase holding company shares in accordance with the Shareholders' Meeting resolution of April 28, 2011;
- the reserve was simultaneously accredited for the total amount of Euro 4,500 thousand as the above-mentioned shareholders' meeting revoked the previous resolutions relating to the purchase of treasury shares (Euro 3,750 thousand) and of the parent company (Euro 750 thousand).

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The reserve for treasury shares to be purchased decreased by Euro 1,250 thousand following the above-mentioned provision of Euro 2,500 thousand approved on April 28, 2011 and the simultaneous cancellation of the previous balance of Euro 3,750 thousand.

The reserve for parent company shares to be purchased decreased by Euro 250 thousand following the above-mentioned provision of Euro 500 thousand approved on April 28, 2011 and the simultaneous cancellation of the previous balance of Euro 750 thousand.

The share premium reserve for the sale of rights options not exercised increased by Euro 269 thousand following the net income from the sale of unsubscribed rights of the share capital increase in July 2011.

The share swap merger surplus decreased by Euro 16,108 thousand due to the utilisation approved by the Shareholders' Meeting of April 28, 2011 to cover the residual loss of the Life Division.

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 60,311 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:

Share capital subscribed, paid-in and filed at 12/31/11	Ordinary shares	Savings shares	Total
	367,047,470	127,683,666	494,731,136

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 Utilisation	Quota available	Quota available 2010	Utilisation previous three years
<b>Share capital</b>	494,731	-	-	-	-
<b>Capital reserves:</b>	<b>1,279,314</b>		<b>1,215,903</b>	<b>1,157,761</b>	-
Share premium reserve	331,230	A,B,C	267,820	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	627,006	627,007	-
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	4,564	A,B,C	4,563	4,294	-
Dividend adjustment reserve	2,852	A,B,C	2,853	2,852	-
<b>Profit reserves:</b>	<b>497,676</b>		<b>457,870</b>	<b>1,066,323</b>	<b>744,545</b>
Legal reserve	35,536	A,B,C	-	2,127	-
Extraordinary reserve	216,692	A,B,C	216,692	805,409	728,436
Share swap merger surplus/cancellation of shares reserve	238,177	A,B,C	238,178	254,287	16,109
Treasury share repurchase reserve	1,982	-	-	-	-
Reserve for holding company's shares	2,289	-	-	-	-
Reserve for purchase of treasury shares	2,500	A,B,C	2,500	3,750	-
Reserve for purchase of holding company's shares	500	A,B,C	500	750	-
<b>Total</b>	<b>2,271,721</b>		<b>1,673,773</b>	<b>2,224,084</b>	<b>744,545</b>
Quota not distributable (1)			20,688	2,911	
Quota distributable			1,653,085	2,221,174	

### 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.



## 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)

31/12/2011	31/12/2010	Change	Expiry	Variable rate	Spread
400,000	400,000	-	07/23/23	Euribor 6 m Act/360	180 bps
100,000	100,000	-	12/30/25	Euribor 6 m Act/360	180 bps
150,000	150,000	-	07/14/26	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.

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

In relation to the subordinated loan contract of Euro 300 million of 22/6/2006 (undertaken for 50% by Fondiaria-SAI S.p.A. and the other 50% by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) establishes, as a general obligation, the continued control (in accordance with Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A..

In relation to the hybrid loan contract of Euro 250 million of 14/7/2008, the faculty to convert into shares of the Company is subject to, in addition to any resolution by the extraordinary shareholders' meeting of the Company of a share capital increase to service the conversion in line with the contractual terms indicated, the occurrence at the same time (and for a consecutive three year period) of the following situations:

- i) the downgrade of the Standard & Poor's rating (or any other agency to which the Company is voluntarily subject, no longer being subject to the Standard & Poor's rating) of the beneficiary companies to "BBB-" or a lower grade;

- 
- ii) the reduction of the solvency margin of the beneficiary companies, as defined by Article 44 of the Insurance Code, to a level below or equal to 120% of the required solvency margin as defined by Article 1, paragraph hh) of the Insurance Code, provided that (a) the situation arising from the above-mentioned events are not rectified, for both events, in the subsequent two years, or (b) the solvency margin in the following two years is not at least 130% of the required solvency margin, with the possibility therefore for Fondiaria-SAI and Milano Assicurazioni to put in place, over a period of more than two years, measures to enable compliance with the required parameters.

No clauses are in place in the Group loan contracts (other than those indicated above) which place limitations on the use of significant financial resources for the activities of the Company.

The defining factors of the subordinated and/or hybrid loans relate in general not just to the repayment of such before the payment of all other payables owing by the insurance company at the settlement date, but also the need to obtain, in accordance with the applicable regulation, prior authorisation for repayment by ISVAP.

## SECTION 10

### TECHNICAL RESERVES – (Account C)

The account increased, before the quota of the reinsurers, by Euro 435,791 thousand, of which Euro 488,582 thousand for the Non-Life classes and a decrease of Euro 52,791 thousand for the Life classes, as shown in the table below:

(in Euro thousands)	31/12/2011	31/12/2010	Change
<b>NON-LIFE DIVISION</b>			
Unearned premium reserve	1,510,920	1,515,070	(4,150)
Reserve for profit sharing and reversals	-	-	-
Claims reserve	5,220,937	4,729,816	491,121
Other technical reserves	6,333	7,620	(1,287)
Equalisation reserves	25,102	22,204	2,898
<b>TOTAL</b>	<b>6,763,292</b>	<b>6,274,710</b>	<b>488,582</b>
<b>LIFE DIVISION</b>			
Actuarial reserves	7,843,893	7,883,873	(39,980)
Unearned premium reserves for additional insurance	240	712	(472)
Reserve for sums to be paid	85,525	93,733	(8,208)
Reserve for profit sharing and reversals	1,902	1,633	269
Other technical reserves	47,061	51,461	(4,400)
<b>TOTAL</b>	<b>7,978,621</b>	<b>8,031,412</b>	<b>(52,791)</b>
<b>TOTAL</b>	<b>14,741,913</b>	<b>14,306,122</b>	<b>435,791</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 30,380 thousand.

These additions marginally refer to the Health and Credit Classes and almost exclusively to the General TPL Class for which we report that the claims/premium ratio in the current year continues to be above 100%. The charge for expected claims was determined considering a 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			Indirect business	
	Premium fraction	Current risks	Total	Premium fraction	Total
Accident	86,900	-	86,900	-	-
Health	58,433	229	58,662	-	-
Land vehicles	146,393	-	146,393	-	-
Railway	-	-	-	-	-
Aviation	185	-	185	-	-
Maritime	1,488	-	1,488	-	-
Goods in transit	1,987	-	1,987	-	-
Fire and natural elements	190,532	-	190,532	557	557
Other property damage	108,274	-	108,274	24	24
Motor TPL	682,028	-	682,028	2	2
Aviation TPL	171	-	171	-	-
Maritime TPL	1,445	-	1,445	-	-
General TPL	126,244	29,216	155,460	548	548
Credit	102	935	1,037	16	16
Bonds	59,476	-	59,476	294	294
Pecuniary losses	4,222	-	4,222	-	-
Legal expenses	2,617	-	2,617	-	-
Assistance	8,603	-	8,603	-	-
<b>Total</b>	<b>1,479,100</b>	<b>30,380</b>	<b>1,509,480</b>	<b>1,441</b>	<b>1,441</b>

In relation to the Bond Class, the reserve for premium fraction was supplemented in accordance with ISVAP Measure No. 1978 of 2001, for a total amount of Euro 29,306 thousand (Euro 27,596 thousand in 2010).

The other technical reserves of the Non-Life classes only include the ageing reserve as per article 25 of Legislative Decree No. 175/98, equal to Euro 6,333 thousand (Euro 7,620 thousand in 2010) and calculated using analytical method on the insurance contracts against the 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 25,102 thousand and is divided as follows among the classes in the accounts:

(in Euro thousands)	31/12/2011	31/12/2010	Change
Accident	263	259	4
Land vehicles	8,094	6,934	1,160
Aviation	105	101	4
Maritime	335	322	13
Goods in transit	858	839	19
Fire and natural elements	14,596	12,935	1,661
Other property damage	684	656	28
Motor TPL	20	20	-
Aviation TPL	4	4	-
General TPL	13	13	-
Pecuniary losses	130	121	-
<b>Total</b>	<b>25,102</b>	<b>22,204</b>	<b>2,898</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, 2011 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 50,175 thousand (Euro 47,718 thousand at 31/12/2010), 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)	31/12/2011	31/12/2010	Change
Class I	34,996	38,258	(3,262)
Class III	1,333	2,056	(723)
Class IV	61	60	1
Class V	10,671	11,087	(416)
Class VI	-	-	-
<b>Total</b>	<b>47,061</b>	<b>51,461</b>	<b>(4,400)</b>

## SECTION 11

### CHANGE IN TECHNICAL RESERVES WHERE INVESTMENT RISK BORNE BY POLICYHOLDERS AND FROM PENSION FUND MANAGEMENT - (Account D)

These amount to Euro 396,467 and decreased by Euro 38,202 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)	31/12/2011	31/12/2010	Change
- related to the value of an investment fund	78,618	83,774	(5,156)
- related to the value of an equity index or other benchmark.	105,649	145,274	(39,625)
- open pension funds	212,200	205,621	6,579
<b>TOTAL</b>	<b>396,467</b>	<b>434,669</b>	<b>(38,202)</b>

With regard to the open Pension Funds, the figure above is broken down as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Change
<b>SAP Open Pension Fund:</b>			
- Previ-bond	9,583	7,988	1,595
- Previ-gest	10,399	9,456	943
- Previ-mix	21,442	22,738	(1,296)
- Previ-europa	5,384	5,045	339
- Previ-global	2,802	1,970	832
- Previ-capital	2,462	2,085	377
<b>Previdente Open Pension Fund:</b>			
- equity line	43,698	47,174	(3,476)
- balanced line	29,572	31,127	(1,555)
- bond line	18,509	17,166	1,343
- cash line	4,200	4,300	(100)
- guaranteed cash line	8,854	6,511	2,343
<b>Previdenza Open Pension Fund:</b>			
- equity line	12,966	12,050	916
- balanced line	16,871	16,065	806
- bond line	6,179	5,850	329
- guaranteed cash line	16,811	14,651	2,160
- premium TFR line	2,468	1,445	1,023
<b>TOTAL</b>	<b>212,200</b>	<b>205,621</b>	<b>6,579</b>

## SECTION 12

### PROVISIONS FOR RISKS AND CHARGES – (Account E)

(in Euro thousands)	31/12/2011	31/12/2010	Change
Pensions and similar obligations	3,365	3,386	(21)
Tax provisions	52,905	91,000	(38,095)
Other provisions	247,310	230,156	17,154
<b>TOTAL</b>	<b>303,580</b>	<b>324,542</b>	<b>(20,962)</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)	31/12/2011	31/12/2010	Change
Provision for risks and charges	236,694	215,386	21,308
Provision as per art. 7 Law 738/78	5,154	5,154	-
Service bonus as art. 30 CCNL	5,462	5,131	331
Building maintenance provision	-	4,485	(4,485)
<b>TOTAL</b>	<b>247,310</b>	<b>230,156</b>	<b>17,154</b>

#### a) Provision for risks and charges

The accrual increased compared to the previous year by Euro 21,308 thousand consequent of the provisions of Euro 81,127 thousand and utilisation of Euro 59,819 thousand.

The total provision is adequate with respect to the estimated charges consequent of the total legal disputes to which the Parent Company is party. The accrual also includes future employee expenses, such as those related to vacation days matured but not taken.

The Provision also 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 did not record the relative tax advantage.

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 and that the complex issue will be clarified by future Cassation Court rulings.

Finally we report that the provision includes the estimated charges in relation to the probable renegotiation of the buildings rented directly, or through subsidiary companies to the subsidiaries Atahotels and Villa Ragionieri, although the amount and timing of the revision is uncertain.

The amount provisioned is approx. Euro 47 million.

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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. 30 of CCNL**

The provision increased by Euro 331 thousand due to the provision in the year of Euro 1,342 thousand and utilisations of Euro 1,011 thousand for premiums matured in favour of employees.

**c) Building maintenance fund**

The building maintenance provision was fully reversed.



## 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)	31/12/2011	31/12/2010	Change
Provision for current taxation	7,165	45,025	(37,860)
Provision for deferred tax liabilities	45,740	45,975	(235)
<b>TOTAL</b>	<b>52,905</b>	<b>91,000</b>	<b>(38,095)</b>

The changes in the year were as follows:

(in Euro thousands)	2011	2010	Change
<u>Provision for current taxation:</u>			
Utilisation and other decreases	(37,860)	(31,751)	(6,109)
Provisions	-	10,119	(10,119)
<u>Provision for deferred tax liabilities:</u>			
Utilisation and other decreases	(1,211)	(2,605)	1,394
Provisions	976	17	959
<b>TOTAL</b>	<b>(38,095)</b>	<b>(24,220)</b>	<b>(13,875)</b>

In relation to the current tax provision, the decrease refers solely to the utilisation of the provision for the higher income taxes following the assessments received from the Tuscany Tax Office relating to the 2005 year, with a settlement agreed on May 17, 2011, and the 2006 to 2008 tax years, with settlement agreed on June 10 and October 14, 2011.

The total charge for the year 2011 is commented upon in the account “Other charges” to which reference should be made.

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No provision is made in the year for income tax or regional taxes in that the assessable amount is a significant loss for Group income taxes as the net losses and gains of the companies in the national fiscal consolidation regime is a fiscal loss.

In relation to the deferred taxes, the change compared to the beginning of the year is due to the increase in the income taxes arising in the year of Euro 976 thousand principally relating to adjustments of income taxes recorded in previous years following the increase in the nominal IRAP rate from 4.9% to 6.82%. This change, together with the decrease for the taxes reversed of Euro 1,211 thousand, are commented upon in the account “Income taxes” to which reference should be made.

### **DEPOSITS RECEIVED FROM REINSURERS – (Account F)**

The account amounted to Euro 93,925 thousand and decreased by Euro 57,200 thousand (Euro 151,125 thousand in 2010).

## SECTION 13

### PAYABLES AND OTHER LIABILITIES – (Account G)

The breakdown is as follows:

(in Euro thousands)	31/12/2011	31/12/2010	Change
Payables to direct insurance operations	26,341	36,991	(10,650)
Payables to reinsurance operations	35,498	34,457	1,041
Payables to banks and financial institutions	-	75,000	(75,000)
Various loans and other financial payables	245,193	248,300	(3,107)
Provision for staff termination pay	35,004	39,371	(4,367)
Other payables	570,345	498,585	71,760
Other liabilities	222,211	214,208	8,003
<b>TOTAL</b>	<b>1,134,592</b>	<b>1,146,912</b>	<b>(12,320)</b>

#### Payables to direct insurance operations

(in Euro thousands)	31/12/2011	31/12/2010	Change
Insurance brokers	13,067	24,616	(11,549)
Insurance company current accounts	9,771	12,045	(2,274)
Policyholders for deposits and premiums	74	74	-
Policyholder guarantee provisions	3,429	256	3,173
<b>TOTAL</b>	<b>26,341</b>	<b>36,991</b>	<b>(10,650)</b>

The guarantee provisions include Euro 3,251 thousand of the payable to the Road Victims Fund, Euro 147 thousand to the Shooting Victims Fund and Euro 31 thousand to the Homes Solidarity Provision.

#### Payables to reinsurance operations

(in Euro thousands)	31/12/2011	31/12/2010	Change
Insurance and reinsurance companies	34,679	33,638	1,041
Reinsurance brokers	819	819	-
<b>TOTAL</b>	<b>35,498</b>	<b>34,457</b>	<b>1,041</b>

#### Payables to banks and other lenders

(in Euro thousands)	31/12/2011	31/12/2010	Change
Payables to banks and financial institutions	-	75,000	(75,000)
<b>TOTAL</b>	<b>-</b>	<b>75,000</b>	<b>(75,000)</b>

On January 31, 2011 the senior loan provided by Mediobanca on January 25, 2010 was fully repaid.

## Various loans and other financial payables

The other loans amounted to Euro 245.2 million (Euro 248.3 million at 31/12/2010) 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	One payment or single tranches with notice of at least 7 working days before 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.	66.1	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%.

The change, amounting to Euro 31 million, is due to decreases of Euro 5.2 million for the reimbursement of the interest bearing loan with the subsidiaries Sai Holding (Euro 1.2 million) and Fondiaria Nederland B.V. (Euro 4 million) on February 25, 2011 and July 14, 2011 respectively and to the increase in liabilities of Euro 2.1 million relating to the write-down of the hedges on equity securities, as follows: Euro 1.2 million relating to the write-down of the combined sell call – purchase put options to hedge Generali shares and Euro 0.9 million relating to the write-down of the options to hedge Banco Popolare di Milano shares.

## Provision for staff termination pay

The account amounted to Euro 35,004 thousand (Euro 39,371 in 2010).

The change is due to provisions and other increases for Euro 11,279 thousand (Euro 10,941 thousand in 2010) and the relative utilisation of the provision for Euro 15,646 thousand (Euro 15,152 thousand in 2010), which includes the quota matured in 2011 allocated to the special INPS fund or to the Complementary Pension.

## Other payables

(in Euro thousands)	31/12/2011	31/12/2010	Change
Policyholders' tax due	72,714	71,044	1,670
Other taxes due	84,162	50,748	33,414
Social security and welfare institutions	10,333	8,801	1,532
Other payables	403,136	367,992	35,144
<b>TOTAL</b>	<b>570,345</b>	<b>498,585</b>	<b>71,760</b>

The Policyholders' tax due includes the tax payable on insurance policies for Euro 53,094 thousand and Euro 19,591 thousand for Social Security Contributions.

The other taxes due concern, among others, Euro 18,398 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 16,207 thousand concerning the outstanding installments on substitute taxes on gains following the conferment of properties to the Rho Fund in 2009 and Euro 42,898 thousand relating to payments due following the agreed settlement procedure with the Tax Authorities following the audit for the periods 2005 and between 2006 and 2008.

In relation to this settlement and to the full covering of the charge in the financial statements, reference should be made to the Directors' Report.

Various payables include, among others, the following accounts:

(in Euro thousands)	31/12/2011	31/12/2010	Change
Payables for tax credits transferred to the Group	196,467	120,896	75,571
Other payables to subsidiaries	25,636	53,000	(27,364)
Settlements not collected by policyholders	3,704	2,310	1,394
Suppliers	147,902	159,463	(11,561)
Employees	626	699	(73)
Guarantee deposits	2,704	2,783	(79)

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 917/1986. The account also includes the tax savings related to the transfer of losses by some consolidated companies already utilised to offset income transferred to the Group or against which Fondiaria-SAI, as consolidating company, assumed the charge relating to their fiscal recognition in accordance with the consolidation contract agreed.

Other payables to subsidiaries include Euro 18,844 thousand of payables for Group VAT and Euro 3,763 thousand payables for income tax reimbursement pursuant to Law 185/2008.

Trade payables, including rent and other expenses totalling Euro 147,902 thousand, include payables to Fondiaria-SAI Servizi Group for the settlement of the consortium contribution due, following the centralisation of all the Group services within the consortium, amounting to Euro 107,565 thousand.

## 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	Payables with collateral	Various loans and other financial payables	Employee Leaving Indemnity and other payables	Total
Within 1 year	61,839	93,925	-	245,193	382,944	783,901
Between 1 and 5 years	-	-	-	-	222,405	222,405
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>61,839</b>	<b>93,925</b>	<b>-</b>	<b>245,193</b>	<b>605,349</b>	<b>1,006,306</b>

## Other liabilities

(in Euro thousands)	31/12/2011	31/12/2010	Change
Payable transitory reinsurance accounts	3,537	2,705	832
Commissions on premium collection	57,650	58,400	(750)
Other liabilities	161,024	153,103	7,921
<b>Total</b>	<b>222,211</b>	<b>214,208</b>	<b>8,003</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)	31/12/2011	31/12/2010
Non-Life/Life transit account	39,022	29,443
Other accruals	41,291	48,669
Claim payments in liquidation	34,385	14,810
Insurance transitory payments	7,165	10,439
Payables to reinsurers	6,921	6,934
Liabilities from funds received which will be transferred to the pension funds	6,044	9,290
Transitory life payments	1,468	3,636
Payables to agencies	1,121	12,076
Bank transit account	198	109

## SECTION 14

### ACCRUALS AND DEFERRED INCOME – (Account H)

(in Euro thousands)	31/12/2011	31/12/2010	Change
Interest	27,211	12,651	14,560
Rental	530	48	482
Other accruals and deferred income	13	42	(29)
<b>Total</b>	<b>27,754</b>	<b>12,741</b>	<b>15,013</b>

Relating to the year 2011, the breakdown of the accruals and deferred income is as follows:

(in Euro thousands)	Accrued income	Deferred income	Total
Interest	27,211	-	27,211
Rental	-	530	530
Other accruals and deferred income	13	-	13
	<b>27,224</b>	<b>530</b>	<b>27,754</b>

The deferred income for interest refers to the quota allocated for the year of the explicit financial charge on the subordinated loan for Euro 15,451 thousand, on interest-bearing loans to subsidiaries for Euro 6,291 thousand and charges on derivatives for Euro 5,469 thousand.

## SECTION 17

### Guarantees, Commitments and other Memorandum Accounts

The account amounts to Euro 14,199,678 thousand (Euro 14,486,797 in 2010).

(in Euro thousands)	31/12/2011	31/12/2010	Change
Guarantees given	4,254	4,160	94
Guarantees received	222,062	184,750	37,312
Guarantees provided by third parties on behalf of the company	48,495	53,462	(4,967)
Commitments	58,420	840	57,580
Third party assets	9,101	7,304	1,797
Securities deposited with third parties	12,950,268	13,433,970	(483,702)
Other memorandum accounts	927,578	802,311	126,088
<b>Total</b>	<b>14,220,178</b>	<b>14,486,797</b>	<b>(266,619)</b>

The guarantees given include:

(in Euro thousands)	31/12/2011	31/12/2010	Change
Other non-secured guarantees	-	-	-
Secured guarantees	4,254	4,160	94
	<b>4,254</b>	<b>4,160</b>	<b>94</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)	31/12/2011	31/12/2010	Change
Sureties	216,609	179,496	37,113
Other non-secured guarantees	2,553	2,354	199
Secured guarantees	2,900	2,900	-
	<b>222,062</b>	<b>184,750</b>	<b>37,312</b>

Among the guarantees received are sureties of Euro 71,646 thousand (Euro 72,213 thousand in 2010) from policies guaranteeing commitments undertaken with agents.

The sureties given amount to Euro 3,639 thousand, while those received from third parties amounted to Euro 144,831 thousand.

Of the secured guarantees Euro 2,900 thousand relates to a voluntary mortgage on some buildings to guarantee operations related to the construction sector.

The guarantees given by third parties amounted to Euro 48,495 thousand, principally comprising those created by the surety based on the Convention between Insurers for the Direct Compensation (CARD) amounting to Euro 40,255 thousand, to which Fondiaria-SAI subscribed on 27/11/2006.

Commitments include Euro 20,400 thousand for the recapitalisation of Atahotels S.p.A. and Euro 20,500 thousand for the recapitalisation of the Florence Cancer Centre of Villanova S.r.l., included in the respective 2012-2014 industrial plans.

Commitments also include Euro 15 million for the forward purchase of Société Generale Bonds 16/11/10-15 and Euro 401 thousand cash settlements to be paid in relation to hedges through combined options (purchase put – sell call) on shares of Pirelli & Co. Ordinary, Euro 1,195 thousand relating to hedges on shares of Generali and Euro 898 thousand relating to hedges on shares of Banco Popolare di Milano.

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 11,291,417 thousand, subsidiary companies for Euro 1,116,811 thousand, associated companies for Euro 34,062 thousand, other investments for Euro 96,806 thousand and other depositary entities for Euro 411,172 thousand.

The Other Memorandum Accounts which amount to Euro 927,578 thousand principally relates to the underlying notional derivative financial operations and specifically: Euro 25 million relating to Credit Default Swap contracts with Morgan Stanley on the Serbian country risk, Euro 400,000 thousand relating to Interest Rate Swap contracts with Mediobanca, Euro 150,000 thousand relating to Interest Rate Swap contracts with Unicredit Bank, Euro 200,000 thousand relating to Interest Rate Swap contracts with Royal Bank of Scotland, Euro 150,000 thousand relating to Interest Rate Swap contracts with Unione di Banche Svizzere, Euro 2,221 thousand relating to cash settlements to be received on hedges through combined options (purchase put – sell call) on shares of Unicredit and Euro 146 thousand relating to cash settlements to be received on hedge operations through combined options (purchase put – sell call) on shares of Generali.

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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)	2011	2010	Change
Direct premiums	3,788,708	3,818,083	(29,375)
Indirect premiums	7,253	9,148	(1,895)
<b>Gross premiums written</b>	<b>3,795,961</b>	<b>3,827,231</b>	<b>(31,270)</b>
Premiums ceded to reinsurers	(131,235)	(134,094)	2,859
Change in gross amount of premium reserve	4,125	(65,979)	70,104
Change in reinsurers reserve	1,145	3,872	(2,727)
<b>Total Non-Life premiums written</b>	<b>3,669,996</b>	<b>3,631,030</b>	<b>38,966</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 13,041 thousand relating to the positive change in the reserve for premium fractions which were commented upon under Liabilities of the Balance Sheet. The decrease for the reserve for risks in course amounts to Euro 8,763 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)	2011	2010	Change
Other technical income before reinsurance	20,731	17,961	2,770
Other technical income ceded	4,309	7,993	(3,684)
	<b>25,040</b>	<b>25,954</b>	<b>(914)</b>

The other technical income amounts to Euro 25,040 thousand and includes Euro 8,973 thousand of commission recoveries on the cancellation of premiums issued in previous years and Euro 10,891 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)	2011	2010	Change
Gross amounts paid	(2,888,624)	(3,085,698)	197,074
Reinsurers' share	49,948	77,368	(27,420)
Change in gross recoveries	123,396	83,809	39,587
Reinsurers' share	-	-	-
Change in outstanding claims reserve	(486,477)	(30,749)	(455,728)
Reinsurers' share	6,250	(26,470)	32,720
	<b>(3,195,507)</b>	<b>(2,981,740)</b>	<b>(213,767)</b>

The gross amounts paid include:

(in Euro thousands)	2011	2010	Change
Claims paid on current year policies	(1,003,584)	(1,114,690)	111,106
Claims paid on previous year policies	(1,584,509)	(1,660,103)	75,594
Contribution to the Road Victims' Fund	(50,327)	(48,540)	(1,787)
Direct and settlement expenses	(250,204)	(262,365)	12,161
	<b>(2,888,624)</b>	<b>(3,085,698)</b>	<b>197,074</b>

The change of the gross recoveries includes Euro 47,329 thousand of recoveries in the year and Euro 76,067 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)	2011	2010	Change
Reserve at beginning of the year	4,729,816	4,699,692	30,124
Exchange rate effect	877	1,782	(905)
Reserve for the year	(1,595,176)	(1,645,325)	50,149
Reserve for previous years	(3,625,761)	(3,084,491)	(541,270)
Movements in portfolio	3,767	(2,406)	6,173
	<b>(486,477)</b>	<b>(30,748)</b>	<b>(455,729)</b>

In relation to the direct business, the reserve at the beginning of the year, recorded a negative adjustment of approx. Euro 545 million, as shown in the table below:

(in Euro thousands)	2011	2010
Existing claims reserve at beginning of year	4,630,279	4,596,911
Indemnities paid during the year, net of recoveries	1,654,682	1,767,251
Claims reserve at the end of the year	3,520,866	2,987,265
<b>Difference</b>	<b>(545,269)</b>	<b>(157,605)</b>

Within the reconciliation of the claims of previous years the most significant deficiencies relate to the Motor TPL classes (Euro 548,838 thousand) and the General TPL Class (Euro 29,108 thousand).

In particular, the insufficient reserve in the Motor TPL class results in the revaluation of the residual load.

In order to illustrate the reasons for the significant revaluation of reserves in 2011, in particular in relation to the Motor TPL claims (or rather the No Card and Managed Card reserves), amounting to Euro 476 million, it is necessary to provide a background to the matter on hand.

## Introduction

- The Claims Reserves are made up of the Prior Year Reserve (or rather relating to claims arising in previous years or rather before 2011) and the Current Year Reserve (or rather relating to claims reported and arising in 2011). For the prior year reserves, ISVAP Regulation No. 16 specifically requires a separate valuation of each claim not yet completely settled (inventory method), equal to the last cost, taking therefore into account all estimated future charges, without any deductions, discounts or discounting.

For the determination of last cost, reference must be made to reliable historical and forecasted data and to the specific company organisational aspects of the claims cycle.

For the classes such as the Motor TPL class characterised by slow settlement processes and in which the analytical valuation (inventory) does not take into account all expected future charges, the valuation under the inventory method is undertaken together with actuarial statistical methods, in order to forecast cost trends.

As an exception, and limited to the current management, given the reduced information available to the Company, the claims reserve may be determined utilising the average cost method, provided this is applied to similar types of claims.

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- In relation to the statistical-actuarial method used in the valuation of the prior year claims, it should be noted that actuarial professional practice has elaborated a high number of models which, while in theory all valid, provide different possibilities of application depending on the historical data and technical indicators of the portfolio subject to valuation. Each actuarial analysis therefore requires, from the beginning, the selection of the models to be utilised compared to those not appropriate given the specific situation. The analysis then requires, also in this case based on the characteristics and especially stability of the underlying parameters, careful choice of the importance to be applied to the different actuarial models implemented. The change, from year to year, of the benchmark models or the importance of the parameters in the overall valuation is not intended as a change in the valuation logic, or in the accounting principle, but may be justified from the change in the characteristics of the portfolio or the overall context.
  - Finally, we highlight that while continuing to utilise last cost criterion, the revaluation of the residual load of the prior year reserves must be considered a normal and recurring event (annual), in that also related to changes in jurisprudence and general and sector inflation, and consequently, with recurring impact and annually on the amount of the expected average costs of claim settlement.

#### **Motor TPL Reserve Previous Years**

With reference to the Company, in 2011, the strengthening of the residual load of the Motor TPL Reserves for the prior year claims managed (total Euro 476 million) was particularly significant.

To understand the basis of these results, issues which at least partly affected the past year are outlined below:

- Review of the Claims Reserve construction process, focusing particularly on the role of the Settlement Network, required in the final part of the year to closely review the residual technical reserves for each claim recognised. The inventory-taking concluded in November 2011 highlighting an extensive request for strengthening by settlement agents of the prior year generation claims reserves (2010 and before) of Euro 341 million in relation to the impact on the Reserve recorded to the Financial Statements. This requirement was due to:
  - organisational issues related to greater control and attention on the service quality of settlement agents and in particular, the development of a central Claims Management centre with specific regard for claims in long-term dispute or concerning significant amounts as relating to death or a number of counterparties;
  - regulatory and judicial developments, with gradual extension of the use of the non-property damage settlement tables also in light of the Cassation Court judgment of June 2011 which adopted as a basis the Milan Court tables.

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- Adjustment of the actuarial models utilised. As required by a multi-stage settlement process, once the inventory-taking activity is completed by the settlement agents, the revaluation of the Claims Reserves is carried out by the application by the appointed employees of the actuarial models to ensure the valuation of the reserve under the Last Cost Method (therefore taking account of the probability that the claim is not entirely settled in the subsequent year, but may be settled also over one or more subsequent years). The year 2011 was characterised by:
    - a more responsive and weighted actuarial model was utilised; in particular the Fisher Lange (weighted at 35%) and the Chain Ladder Paid (weighted at 65%) methods were used;
    - a specific focus was placed on the close and prudent selection of the parameters applied to the models, utilising historical series considered reliable and repeatable;
    - the updating and validation of the models, in line with the management of claims from 2007 broken down between CARD and No CARD;
    - the use of an approach based on historical series including late claims enabled the estimate of a reserve amount including the IBNR provision, which in previous years was subject to separate valuation.
  - Claims task force coordinated by the Risk Management department. The initiative in this case was to undertake a number of activities, both operational and non operational, to strengthen the controls and assessments of the claims management and settlement procedures, therefore consolidating the claims database.

The above stated actions were taken also in light of that outlined in the Report of the Supervisory Institute sent to the Company on September 29, 2011 (following the inspection carried out in 2011 on the Motor TPL claims cycle), which highlighted in relation to December 31, 2010:

- “irregularities and failings deriving from the absence of formalised and adequate control system procedures” in relation to both the management and settlement of claims operations and for the inventory-taking activities;
- observations in the calculations of the actuarial models, highlighting irregularities in the statistical projections.

At the conclusion of this phase of the process, the revaluation of the Motor TPL Reserves for previous years (therefore 2010 and prior) was Euro 476 million (with supplementation of Euro 135 million for the last cost criteria, compared to the revaluation of Euro 341 million already proposed by settlement agents).

### **Current Motor TPL Reserve**

The estimate of the 2011 current generation was made based on an average Cost Method, updated on the past, thanks to a new calculation motor which, based on a greater calibration and average cost statistical weighting for similar claim categories, permits the allocation of a current claim reserve already in the current year, as well as the above-mentioned actuarial statistical valuation models. This resulted in an Average Cost of accepted current year claims (or rather average cost of claims already settled in the year and the reserve for settlement in future years) in 2011 of Euro 4,190 (compared to Euro 3,900 utilised in the 2010 financial statements).

Also in this case, the change in the method adopted by the Company reflects ISVAP observations, which noted, with reference to 2010, an average cost of accepted claims in line with the 2009 market data, but lower than that observed on the market in 2010 (data provided by the Institute in its Note and not available at the time of the valuation).

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### Overall situation

Overall, the process for the valuation of the 2011 Motor TPL Reserve, including other matters in the calculation such as late claims and IBNR as well as the flat-rate reserve balance (relating to the Managed and Debit Flat-rates) results in a total reserve of Euro 2,933 million.

The Actuary of the company considered this amount “to be overall sufficient to meet the commitments deriving from the insurance contracts in accordance with revisions of law and regulations and other provisions”.

The Actuary also reported, on request, that the Company can be considered to be in line with the market.

### CHANGE IN OTHER TECHNICAL RESERVES NET OF REINSURANCE – (ACCOUNT I.5)

(in Euro thousands)	2011	2010	Change
Reserve for old age	(1,287)	(787)	(500)

The decrease 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)	2011	2010	Change
Acquisition commissions	(575,096)	(579,519)	4,423
Other acquisition expenses	(99,259)	(95,151)	(4,108)
Change in commissions and other acq. expenses to amort.	-	-	-
Collection commissions	(12,535)	(12,716)	181
Other administration expenses	(157,250)	(163,085)	5,835
Commissions and profit participation received from reinsurers	32,343	30,943	1,400
	<b>(811,797)</b>	<b>(819,528)</b>	<b>7,731</b>

The purchase commissions also include prepaid acquisition commissions of Euro 28,740 thousand.

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 499 thousand (Euro 498 thousand in 2010), 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)	2011	2010	Change
Other gross technical charges	112,213	114,914	(2,701)
Other technical charges ceded to reinsurers	1,936	1,937	(1)
	<b>114,149</b>	<b>116,851</b>	<b>(2,702)</b>

The account amounts to Euro 114,149 thousand and includes Euro 10,891 thousand of cancellations of premiums as non-collectible and Euro 74,676 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.

## EQUALISATION RESERVES – PROVISIONS AND WITHDRAWALS – (ACCOUNT I.9)

The net change amounts to Euro 2,898 thousand.

The breakdown by class is shown below:

(in Euro thousands)	2011	2010
<b>Reserve for natural disaster risks (direct business)</b>		
Accident	3	3
Land vehicles	1,159	1,010
Aviation	5	3
Maritime	13	14
Goods in transit	19	22
Fire	1,661	1,624
Other property damage	30	24
Pecuniary losses	8	11
	<b>2,898</b>	<b>2,711</b>
<b>Reserve off-set with Credit class</b>	-	-
	<b>2,898</b>	<b>2,711</b>

Attachment 19 shows a summary by class of the technical account in the Non-Life Division.



## SECTION 19

### INFORMATION CONCERNING THE LIFE TECHNICAL ACCOUNT

#### PREMIUMS WRITTEN NET OF REINSURANCE – (ACCOUNT II.1)

(in Euro thousands)	2011	2010	Change
Direct premiums	1,042,388	1,231,111	(188,723)
Indirect premiums	3,665	4,419	(754)
<b>Gross premiums written</b>	<b>1,046,053</b>	<b>1,235,530</b>	<b>(189,477)</b>
Premiums ceded to reinsurers	(18,933)	(18,097)	(836)
<b>Premiums written in year, net of reinsurance</b>	<b>1,027,120</b>	<b>1,217,433</b>	<b>(190,313)</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. 22, 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)	2011	2010	Change
Income from shares	11,682	16,387	(4,705)
Income from other investments	342,625	323,202	19,423
Write-backs on investment values	3,128	8,501	(5,373)
Profit realised on investments	71,489	69,542	1,947
	<b>428,924</b>	<b>417,632</b>	<b>11,292</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 any dividends deliberated by subsidiaries.

## 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)	2011	2010	Change
Gross income	9,339	12,886	(3,547)
Profits realised on investments	158	2,063	(1,905)
Unrealised gains	1,074	10,974	(9,900)
<b>TOTAL</b>	<b>10,571</b>	<b>25,923</b>	<b>(15,352)</b>

The non-realised gains refer for Euro 963 thousand to Unit-linked policies and for Euro 111 thousand to Index-Linked products. Among these gains are Euro 409 thousand relating to the Fonsailink Azionario Unit product and Euro 258 thousand to the Fonsailink Bilanciato unit product.

### *Income from class D II*

(in Euro thousands)	2011	2010	Change
Gross income	6,822	5,333	1,489
Profits realised on investments	7,896	4,546	3,350
Unrealised gains	3,953	9,579	(5,626)
<b>TOTAL</b>	<b>18,671</b>	<b>19,458</b>	<b>(787)</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)	2011	2010	Change
Other technical income before reinsurance	2,664	3,841	(1,177)
<b>TOTAL</b>	<b>2,664</b>	<b>3,841</b>	<b>(1,177)</b>

Euro 2,174 thousand relates to the recovery of management commissions concerning Open Pension Funds.

## CLAIMS INCURRED NET OF REINSURANCE – (ACCOUNT II.5)

(in Euro thousands)	2011	2010	Change
Gross sum paid	(1,292,997)	(1,135,297)	(157,700)
Reinsurers' share	12,287	14,319	(2,032)
Gross change in reserve for sums to be paid	8,212	(17,486)	25,698
Reinsurers' share	1,298	1,069	229
<b>TOTAL</b>	<b>(1,271,200)</b>	<b>(1,137,395)</b>	<b>(133,805)</b>

The gross sums paid are as follows:

(in Euro thousands)	2011	2010	Change
- for claims	36,326	33,356	2,970
- for matured policies	533,128	621,633	(88,505)
- for redemptions	709,134	462,035	247,099
- for life annuities	7,912	10,056	(2,144)
- for reinsured risks	6,497	8,217	(1,720)
<b>TOTAL</b>	<b>1,292,997</b>	<b>1,135,297</b>	<b>157,700</b>

The significant increase in the sums paid for Redemptions is due to the greater amount of individual policies related to the Separate Internal Management.

## CHANGES IN THE ACTUARIAL AND OTHER TECHNICAL RESERVES NET OF REINSURANCE – (ACCOUNT II.6)

(in Euro thousands)	2011	2010	Change
Change in the gross amount of the actuarial reserve	39,919	(386,401)	426,320
Reinsurers' share	2,422	1,330	1,092
Change in the gross amount of the additional premium reserve	472	38	434
Reinsurers' share	-	-	-
Change in the gross amount of the technical reserves	4,130	3,355	775
Reinsurers' share	-	-	-
Change in the gross amount of the class D technical reserves	38,413	82,368	(43,955)
Reinsurers' share	-	-	-
<b>TOTAL</b>	<b>85,356</b>	<b>(299,310)</b>	<b>384,666</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, which have either matured or were redeemed during the year.

## PROFIT SHARING AND REVERSALS RECOGNISED TO POLICYHOLDERS OR OTHER BENEFICIARIES – (ACCOUNT 11.7)

During the year reversals or profit participations recognised to policyholders or other beneficiaries were recorded.

## OPERATING EXPENSES – (ACCOUNT II.8)

(in Euro thousands)	2011	2010	Change
Acquisition commissions	(15,559)	(16,976)	1,417
Other acquisition expenses	(14,275)	(13,368)	(907)
Change in commissions and expenses to be amortised	-	(49)	49
Collection commissions	(4,068)	(4,532)	464
Other administration expenses	(31,239)	(34,064)	2,825
Commissions and profit part. from reinsurers	3,767	2,474	1,293
<b>TOTAL</b>	<b>(61,374)</b>	<b>(66,515)</b>	<b>5,141</b>

The acquisition commissions include acquisition charges on long-term contracts of Euro 4,786 thousand (Euro 4,231 thousand in 2010).

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)	2011	2010	Change
Management expenses on investments and interest expense	(18,890)	(22,281)	3,391
Write-downs on investment values	(435,525)	(260,636)	(174,889)
Losses realised on sale of investments	(16,010)	(38,475)	22,465
<b>TOTAL</b>	<b>(470,425)</b>	<b>(321,392)</b>	<b>(149,033)</b>

Attachment 23 reports the composition of asset and financial charges of Life management. The investment management charges also include property taxes of Euro 129 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)	2011	2010	Change
CIII shares	(67,774)	(27,464)	(40,310)
Shares in group companies	(141,396)	(112,240)	(29,156)
Mutual funds	(11,140)	(455)	(10,685)
Government bonds	(168,551)	(98,996)	(69,555)
Corporate bonds	(44,916)	(21,294)	(23,622)
Other financial assets	(901)	(3)	(898)
<b>TOTAL</b>	<b>(434,678)</b>	<b>(260,452)</b>	<b>(174,226)</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)	2011	2010	Change
Investment management charges	2	(2,594)	2,592
Losses realised on sale of investments	(818)	(370)	(448)
Losses not realised	(11,629)	(1,677)	(9,952)
<b>TOTAL</b>	<b>(12,449)</b>	<b>(4,641)</b>	<b>(7,808)</b>

The amount of the losses not realised refers for Euro 3,969 thousand to Unit-Linked products, Euro 7,660 thousand to Index-Linked products and other products as per article 30 of Legislative Decree 174/95.

### *Class D II charges*

(in Euro thousands)	2011	2010	Change
Investment management charges	(3,085)	(3,780)	695
Losses realised on sale of investments	(11,593)	(2,688)	(8,905)
Losses not realised	(11,416)	(4,235)	(7,181)
<b>TOTAL</b>	<b>(26,094)</b>	<b>(10,703)</b>	<b>(15,391)</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.

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## **OTHER TECHNICAL CHARGES NET OF REINSURANCE – (ACCOUNT II.11)**

(in Euro thousands)	2011	2010	Change
Other gross technical charges	(14,921)	(18,553)	3,632
Other technical charges ceded to reinsurers	-	-	-
<b>TOTAL</b>	<b>(14,921)</b>	<b>(18,553)</b>	<b>3,632</b>

The other technical charges refer to losses on unrecoverable receivables and cancellations for technical error by the issuer.

## **QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON TECHNICAL ACCOUNT (ACCOUNT II.12)**

In accordance with ISVAP Provision No. 22 Article 23, where the difference between the amount of investment income and the amount of capital and financial charges recorded in the technical account is negative, no transfer should be made to the technical account.

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## 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 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.

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## SECTION 21

### INFORMATION CONCERNING THE TECHNICAL ACCOUNT

#### INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION – (ACCOUNT III.3)

(in Euro thousands)	2011	2010	Change
Income from shares	11,005	11,242	(237)
Income from other investments	106,201	104,400	1,801
Write-backs on investment values	2,627	2,581	46
Profit realised on investments	32,745	49,914	(17,169)
<b>TOTAL</b>	<b>152,578</b>	<b>168,137</b>	<b>(15,559)</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.

#### 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)	2011	2010	Change
Management expenses on investments and interest expense	(44,894)	(43,972)	(922)
Write-downs on investment values	(634,137)	(338,171)	(295,966)
Losses realised on sale of investments	(29,692)	(11,864)	(17,828)
<b>TOTAL</b>	<b>(708,723)</b>	<b>(394,007)</b>	<b>(314,716)</b>

Management charges on investments include income taxes of Euro 4,170 thousand, of which Euro 3,738 thousand due on Property Taxes.



The adjustments in value to investments include depreciation of buildings held for Euro 192 thousand, adjustments in value to investment property for Euro 50,442 thousand, concerning impairments in addition to the adjustments to financial instruments as follows:

(in Euro thousands)	2011	2010	Change
CIII shares	(97,992)	(80,862)	(17,130)
Shares in group companies	(430,581)	(196,867)	(233,714)
Mutual funds	(6,096)	(5,037)	(1,059)
Government bonds	(32,824)	(33,948)	1,124
Corporate bonds	(14,814)	(4,126)	(10,688)
<b>TOTAL</b>	<b>(582,307)</b>	<b>(320,840)</b>	<b>(261,467)</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 296,861 thousand (Euro 236,319 in 2010) and is broken down as follows:

(in Euro thousands)	2011	2010	Change
Recovery of expenses and administrative cost	153,693	154,147	(454)
Interest on restricted bank current accounts	4,224	1,700	2,524
Interest on insurance company accounts	384	415	(31)
Interest on other receivables	3,147	3,151	(4)
Utilisation of doubtful debt provision	6,757	7,341	(584)
Utilisation of provision for risks and charges	103,196	29,049	74,147
Other income	23,499	31,101	(7,602)
Exchange differences	1,961	9,415	(7,454)
<b>TOTAL</b>	<b>296,861</b>	<b>236,319</b>	<b>60,542</b>

The recovery of third party expenses and administration charges, which are offset against other charges, principally relate to the recharges 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 3,161 thousand on bank accounts held by BancaSai and for Euro 1,063 thousand on current accounts of other banks.

The interest from other receivables principally relates to interest from agents for Euro 2,405 thousand, interest for the management of the Road Victims' Provision claims for Euro 448 thousand and interest from tax receivables of Euro 99 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 taxes provision for Euro 37,860 thousand, the building maintenance provision for Euro 4,485 thousand, the employee service bonds provision as per article 32 of the CCNL for Euro 1,011 thousand and Euro 21 thousand from the commitments deriving from the trade union agreement of April 14, 1972 for pension integrations.

Utilisations were also recorded of Euro 59,819 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 23,499 thousand (Euro 31,101 thousand in 2010) 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.

## OTHER CHARGES (ACCOUNT III.8)

The account amounts to Euro 406,860 thousand (Euro 350,850 thousand in 2010) and includes:

(in Euro thousands)	2011	2010	Change
Administrative costs/expenses incurred for third parties	(153,693)	(154,147)	454
Interest expense on insurance company accounts	(1,114)	(1,152)	38
Provision for doubtful debts	(20,924)	(13,901)	(7,023)
Provision for risks and charges	(82,469)	(49,840)	(32,629)
Losses on receivables	(6,733)	(10,521)	3,788
Amortisation on other intangible assets	(6,262)	(1,488)	(4,774)
Goodwill amortisation	(15,366)	(48,657)	33,291
Interest on loans	(7,023)	(17,137)	10,114
Interest on sub-ordinated liabilities	(34,416)	(30,251)	(4,165)
Exchange differences	(990)	(2,562)	1,572
Other	(77,870)	(21,194)	(56,676)
<b>TOTAL</b>	<b>(406,860)</b>	<b>(350,850)</b>	<b>(56,010)</b>

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The administration charges and expenses on behalf of third parties, which are also recorded under other income, within recoveries exclusively relate to the recharge 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 81,127 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 1,342 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 6,262 thousand, relate for Euro 4,808 thousand to share capital increase expenses, Euro 1,350 thousand to costs for the placement of the subordinated loans and Euro 72 thousand to software rights. Finally, Euro 29 thousand refers to leasehold improvements and Euro 3 thousand to trademarks.

The interest on loans principally includes Euro 5,826 thousand relating to the loan granted by the subsidiaries Saifin and Fondiaria Nederland, Euro 388 thousand for interest on loans granted by Sim Etoile, Euro 129 thousand relating to the loan granted by the subsidiary Sainternational and Euro 4 thousand concerning the payable to Sai Holding.

Euro 202 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 11,554 thousand, to the amount due to Finitalia on loans for receivables granted to insurance policy counterparties for Euro 5,743 thousand, bank charges for Euro 8 thousand and taxes of Euro 53,131 thousand.

Of these latter, Euro 52,676 thousand concerns IRES and IRAP, withholding taxes and related interest and penalties following the assessments received from the Tuscany Tax Office relating to the 2005 year, with a settlement agreed on May 17, 2011, and the 2006 to 2008 tax years, with settlement agreed on June 10 and October 14, 2011. This charge, including interest, matured and to mature, against the payments due was recorded under tax payables. Consequently, the Company recorded under other income the amounts reversed under provision for taxes of Euro 37,860 thousand and provision for risks and charges of Euro 14,816 thousand.

## EXTRAORDINARY INCOME – (ACCOUNT III.10)

The account amounts to Euro 61,921 thousand (Euro 92,869 thousand in 2010) and is composed as follows:

(in Euro thousands)	2011	2010	Change
Gain on property sales	13,839	6,429	7,410
Gain from sale of investments in non-current securities	17,646	74,015	(56,369)
other extraordinary income	30,436	12,425	18,011
<b>TOTAL</b>	<b>61,921</b>	<b>92,869</b>	<b>(30,948)</b>

The most significant gains relate to the building in Roma Castelgiubileo for Euro 3,579 thousand and the building in Castelmaggiore Via Serenari for Euro 3,521 thousand.

The account “Gain from the sale of investments in non-current securities” includes income realised of Euro 12,626 thousand relating to bonds, while Euro 5,020 thousand refers to the equity segment.

The other extraordinary income exclusively includes prior year income for Euro 30,436 thousand.

## EXTRAORDINARY CHARGES – (ACCOUNT III.11)

The account amounts to Euro 46,716 thousand (Euro 47,092 thousand in 2010) and is composed as follows:

(in Euro thousands)	2011	2010	Change
Expenses relating to the sale of buildings	(2,160)	(172)	(1,988)
Losses on property sales	-	(1)	1
Losses from sale of investments in non-current securities	(6,986)	(8,200)	1,214
Loss from valuation of treasury shares	(18,263)	(15,302)	(2,961)
Other extraordinary charges	(19,307)	(23,417)	4,110
<b>TOTAL</b>	<b>(46,716)</b>	<b>(47,092)</b>	<b>376</b>

The losses from the sale of investments in non-current securities related for Euro 5,223 thousand to bonds and Euro 1,763 thousand to equities.

The other extraordinary charges include prior year charges of Euro 17,729 thousand, of which Euro 3,733 thousand due to sanctions from ISVAP. The account also includes charges for repayment to policyholders against premiums paid in excess compared to the amount due following pronouncements by the Antitrust Authority for Euro 1,034 thousand, prior year taxes of Euro 251 thousand and other extraordinary charges of Euro 293 thousand.

## INCOME TAXES - (ACCOUNT III.14)

The account is net tax income of Euro 341,754 thousand (net tax income of Euro 95,498 thousand in 2010) and is broken down as follows:

(in Euro thousands)	2011	2010	Change
<b>Current taxes</b>			
IRES income taxes before changes from tax consolidation	-	-	-
Estimated income/(charge) from tax consolidation	(64,112)	2,750	(66,862)
<b>IRES</b>	<b>(64,112)</b>	<b>2,750</b>	<b>(33,308)</b>
<b>IRAP</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total current income taxes</b>	<b>(64,112)</b>	<b>2,750</b>	<b>(66,862)</b>
<b>Deferred taxes</b>			
IRES	463,325	94,763	368,562
IRAP	53,168	(916)	54,084
<b>Total net deferred taxes</b>	<b>516,493</b>	<b>93,847</b>	<b>422,646</b>
<b>Other income taxes</b>			
IRES/IRAP substitute tax	(110,627)	(1,099)	(109,528)
<b>Total other taxes</b>	<b>(110,627)</b>	<b>(1,099)</b>	<b>(109,528)</b>
<b>Total taxes for the year</b>	<b>341,754</b>	<b>95,498</b>	<b>246,256</b>

The current income taxes, where present, 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 6.82% for IRAP regional taxes. These taxes are 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 2011 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 a charge of Euro 64,112 thousand as a combination of tax income of Euro 3,035 thousand and tax charges of Euro 67,147 thousand.

This latter refers exclusively to the probable charge related to the remuneration of the fiscal losses contributed by the subsidiary Popolare Vita in accordance with the changes made to the fiscal consolidation contract. Against the financial recognition of this tax saving, with the option to be exercised by the subsidiary, the parent company Fondiaria-SAI would acquire definitively these fiscal losses. This charge is offset by the higher deferred tax asset recorded by Fondiaria-SAI at year-end.

Income from the fiscal consolidation amounts to Euro 3,035 thousand. 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.

On the other hand, total income relating to the allocation to the consolidating company Fondiaria-SAI, of the losses of some companies, including Popolare Vita, amounts to Euro 66,220 thousand.

In relation to this, it is reported that the provisional allocation of these economic advantages to the Company are illustrated in the movements of the specific risk provisions recorded in the accounts, as are the utilisations against the restitution to the consolidated companies of the same advantages.

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)	2011	2010	Change
<b>Loss before taxes</b>	(1,362,122)	(731,905)	(630,217)
Taxes on theoretical income (excluding regional tax)	374,584	201,274	173,310
Tax effect from changes in permanent differences	(171,609)	(113,512)	(58,097)
Other differences	196,238	9,751	186,487
<b>Taxes on income (excluding regional tax)</b>	<b>399,213</b>	<b>97,513</b>	<b>301,700</b>
IRAP	53,168	(916)	54,084
Other taxes	(110,627)	(1,099)	(109,528)
<b>Total income taxes for the year</b>	<b>341,754</b>	<b>95,498</b>	<b>236,081</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 substitute tax provision has been made.

The permanent differences, whose net effect results in an increase in income taxes for the year of Euro 171,609 thousand refers to exempt income of approx. Euro 134,244 thousand, deductions solely for tax purposes of Euro 6,340 thousand and non deductible costs of Euro 764,615 thousand. Exempt income principally refers to the utilisation of the risk and charges provisions and the tax provision, of dividends received in the year and the exempt component of the change in the obligatory technical reserves of the Life Division in accordance with the provisions introduced with Article 38 of Legislative Decree No. 78/2010.

The deductions solely for tax purposes refer to the higher amount of amortisation, deductible over 10 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%.

On the other hand, the non deductible costs include, among others, the valuation losses on equity securities in accordance with Article 87 of the CFA (so-called “Pex”), taxes agreed following assessments for the period 2005 and from 2006 to 2008, and provisions for risks and charges for which the related deferred tax assets were not recorded.

The positive effects of the other differences, amounting to Euro 196,238, refer to:

- Euro 927 thousand relating to the financial recognition of the losses of the subsidiary Popolare Vita in accordance with that previously described, net of the fiscal saving attributed to Fondiaria-SAI and the related losses of other subsidiaries within the fiscal consolidation regime;
- Euro 8,705 thousand to the increase in deferred tax assets not recorded in previous years as their recognition, on a prudent basis, could not be reasonably determined;
- Euro 188,460 thousand to the recording of deferred tax assets for Euro 175,022 thousand against the recognition of goodwill in 2011 pursuant to Article 23 of Legislative Decree 98/2011 and the residual Euro 13,437 thousand, in relation to previous years, concerning the same recognition of goodwill pursuant to Article 15 of Legislative Decree 185/2008.

In relation to the above operations, substitute income tax was also recorded in the income statement of 16%, amounting to Euro 110,627 thousand. The total tax income recorded in the accounts and related to the difference between taxes paid and future recoverable taxes, for the nominal 34.32% (income and regional taxes) amounts to Euro 124,571 thousand.

As in 2010, the increases in impairments impacted significantly, particularly those on investments in Group companies and some listed investments recorded under non-current assets.

In relation to IRAP, the estimated tax improved the result in the year for Euro 53,168 thousand against a negative impact of Euro 916 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. This amount also includes the positive effect, for Euro 1,043 thousand, to the adjustment of the deferred taxes related to the expected increase in the nominal regional tax rate from 4.9% to 6.82%, from the current year, for insurance companies.

The movements in deferred taxes are as follows:

(in Euro thousands)	2011	2010	Change
Deferred tax charges arising	(10)	(17)	7
Deferred tax charges cancelled	1,211	2,604	(1,393)
Deferred tax income arising	536,226	126,010	410,216
Deferred tax income cancelled	(21,977)	(34,750)	12,773
Change in deferred taxes for rates	1,043	-	1,043
<b>TOTAL</b>	<b>516,493</b>	<b>93,847</b>	<b>422,646</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.

The movements of the deferred tax assets are as follows:

(in Euro thousands)	<b>2011</b>		<b>2010</b>	
<b>Deferred tax asset arising</b>	<b>Temp. Diff.</b>	<b>Deferred Tax</b>	<b>Temp. Diff..</b>	<b>Deferred Tax</b>
Tax loss	499,401	137,335	337,274	92,750
Goodwill capitalised	685,308	235,745	-	-
Write-down receivables from policyholders for premiums	27,872	7,665	24,459	6,726
Change Non-Life claims reserve	252,119	69,333	30,040	8,261
Write-down of other receivables	20,924	5,754	13,901	3,823
Property write-down	68,171	23,451	-	-
Losses not realised on shares	107,113	29,456	42,119	11,583
Provision for risks and charges	67,939	18,683	10,118	2,782
Other temporary changes	32,013	8,804	309	85
<b>TOTAL</b>	<b>1,760,860</b>	<b>536,226</b>	<b>458,220</b>	<b>126,010</b>

The movements in the deferred tax assets including the changes following the increase in the IRAP rate is as follows:

(in Euro thousands)	<b>2011</b>	<b>2011 Change</b>		<b>2011</b>
<b>Deferred tax assets</b>	<b>Opening balance</b>	<b>with balance sheet impact</b>	<b>With P&amp;L impact</b>	<b>Closing balance</b>
Tax loss	95,488	-	137,335	232,823
Goodwill capitalised	-	-	235,745	235,745
Write-down receivables from policyholders for premiums	50,216	(12,506)	5,593	43,303
Change Non-Life claims reserve	29,339	-	67,545	96,884
Write-down of other receivables	12,710	-	3,896	16,606
Property write-down	-	-	23,451	23,451
Property maintenance provision	1,224	-	(1,224)	-
Losses not realised on shares	29,948	-	18,993	48,941
Provision for risks and charges	31,117	-	17,736	48,853
Other temporary changes	6,444	(132)	7,187	13,499
<b>TOTAL</b>	<b>256,486</b>	<b>(12,638)</b>	<b>516,257</b>	<b>760,105</b>

With reference to the temporary timing differences arising in the year, the recording of deferred tax assets for Euro 536,226 thousand is principally due to the recognition of the goodwill, the estimated tax losses transferred to the tax consolidation for the part which exceeds the compensation from the positive net income transferred by the participating companies, to the component of the change in the claims reserve deductible in subsequent years and write downs on property in order to align the carrying value to market value as resulting from independent expert valuations, which will be absorbed on the sale of these assets. The other temporary changes include deferred deductibility on the purchase of long-term commission contracts in the Non-Life Division.



In relation to the recoverability, also on a prudent basis, of the temporary differences relating to the deferred tax assets recorded at the end of the year, we provide the following information.

- The recoverability of the deferred tax assets related to fiscal losses carried forward is considered reasonable, given the amendments to the time limits contained in Article 84 of Presidential Decree 917/1986, based on the projected expected profitability from the 2012-2014 plans and the projections over the subsequent years approved by the directors. In the determination of these amounts, in accordance with tax regulations, account was taken of the reversal of income deferred which gave rise to deferred taxes at the end of 2011.
- In relation to the recovery of deferred tax assets on the goodwill and write-down of receivables from policyholders, the valuations also take account of the provisions of Article 2, paragraph 55 and thereafter of Legislative Decree 225/2010, which provides for the transformation of the deferred tax assets into receivables from the tax authorities and which may be immediately compensated already in the 2012 year, and from which the Company intends to avail. This option would therefore provide an immediate “recovery” of approx. 45% of the deferred tax assets on intangible assets and write-down of receivables from policyholders. The above provisions strengthen, in future years, the probability of recovery of any residual deferred tax asset.
- The recoverability of the deferred tax assets related to the change in the Non-Life Division claims reserves and other minor accounts is based on the evaluation of the sustainability, of the reversal of these amounts, which generated the relative timing differences.

The adjustment of deferred tax assets already recognised at the end of the previous year due to an increase in the IRAP rate amounts to Euro 2,008 thousand.

On the other hand the reversal of the taxes accrued in previous years amounts to Euro 34,616 thousand (Euro 34,750 thousand in 2010). This amount is due for Euro 10,742 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 2,846 thousand to the amount deductible in 2011 of the write-downs in previous years on receivables from policyholders for premiums.

The account also includes Euro 21,978 thousand reversed following transformation into receivables from the tax authorities as permitted by Article 2, paragraph 55 and thereafter of Legislative Decree 225/2010. In relation to this operation, which has no economic impact, the Company fully offset the credit against tax payables in October and November 2011.

The movements of the deferred tax liabilities are as follows:

(in Euro thousands)				
Deferred tax liability arising	2011		2010	
	Differences	Income tax	Differences	Income tax
Gains not realised on shares	37	10	63	17
<b>TOTAL</b>	<b>37</b>	<b>10</b>	<b>63</b>	<b>17</b>

The movements in the deferred tax liabilities including the changes following the increase in the IRAP rate is as follows:

(in Euro thousands)	2011	2011 Change	2011
Deferred tax liability	Opening balance	with balance sheet impact	Closing balance
		With P&L impact	
Deferred gains	37	-	(37)
Gains not realised on shares	162	-	(60)
Only Fiscal depreciation	22,360	-	(138)
Other temporary changes	722	-	-
Allocation of merger deficit	22,694	-	-
<b>TOTAL</b>	<b>45,975</b>	<b>-</b>	<b>(235)</b>

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 1,211 thousand against an increase for the previous mentioned change to the IRAP rate for Euro 966 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.

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.

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## 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 service	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Reconta Ernst & Young S.p.A.	Fondiaria-SAI	1,714
b) certification work	Reconta Ernst & Young S.p.A.	Fondiaria-SAI	1,757
c) fiscal consulting	-	-	-
d) other services	Ernst & Young Financial Business Advisors S.p.A.	Fondiaria-SAI	50
Total fees in the year			3,521

*n.b. excluding VAT*

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 service	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	1,419
	Network Ernst & Young	Foreign subsidiary companies	330
b) certification work	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	489
	Network Ernst & Young	Foreign subsidiary companies	-
c) fiscal consulting	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	19
	Network Ernst & Young	Foreign subsidiary companies	16
d) other services	Reconta Ernst & Young S.p.A.	Italian subsidiary companies	-
	Ernst & Young Financial Business Advisors S.p.A.	Foreign subsidiary companies	107
Total fees in the year			2,381

*n.b. excluding VAT*

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## **Part C**

### **Other information**

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## **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 342 million for the Life Division, of which Euro 114 million as the share of the guarantee and for the Non-Life Division Euro 739 million, of which Euro 246 million as the share of the guarantee, against constituting elements of respectively Euro 664 million and Euro 949 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 (these latter in the maximum amount, 30% of the available margin), the margin is forecast at approx. 78% (97% at 31/12/2010). In particular, the required adjusted solvency margin is Euro 2,211 million against constituting elements of the margin of Euro 1,730 million.

The adjusted solvency margin therefore of the parent company amounted to 57% (83% at the end of 2010).

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 AT YEAR END AND ASSETS COVERED

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 8,329 million for the Life Division (Euro 7,933 million relating to the class C reserves and Euro 396 million relating to the class D reserves) and Euro 6,656 million for the Non-Life Division, are undertaken by activity permitted by law.

The breakdown of covering assets are as follows (only Class C for the Life Division):

CLASS (in Euro millions)		NON-LIFE	LIFE
Asset code	Description of activities	Amount covering	Amount covering
A.1.1a	Securities issued or State guarantees	1,419	5,248
A.1.2°	Bonds and similar securities listed	120	1,762
A.1.2b	Bonds and similar securities non-listed	104	16
A.1.4	Fund units (Bonds)	9	70
A.1.8	Accrued interest on securities	17	119
A.3.1°	Shares traded in a regulated market	865	510
A.3.1b	Non-listed shares	510	94
A.3.3	Fund units (Equities)	16	25
A.4.1	Land and buildings	1,049	12
A.4.3	Investments in Property companies	764	
A.4.4	Units in closed and non-closed property funds	352	77
A.5.2°	Units in non-listed security funds and reserved funds	17	
A.5.2b	Units in speculative funds	15	
B	Non-current accounts receivable	965	
D	Bank deposits	434	
<b>Total assets covering</b>		<b>6,656</b>	<b>7,933</b>
Technical reserves to be covered		6,656	7,933

## 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.	9			8
AUTO PRESTO E BENE S.p.A.	1	2	40	
BANCASAI S.p.A.	248	1	3	5
CENTRO ONCOLOGICO FIORENTINO S.r.l.	2			
GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l.	135	129	243	139
IMMOBILIARE FONDIARIA SAI S.p.A.	2	4		
IMMOBILIARE LOMBARDA S.p.A.	1	8	7	
LIGURIA S.p.A.	3	5		
MARINA DI LOANO S.p.A.		5		
MILANO ASSICURAZIONI S.p.A.	51	166	8	16
POPOLARE VITA S.p.A.	5	84		18
PRONTO ASSISTANCE S.p.A.	3	2	22	20
PRONTO ASSISTANCE SERVIZI Scarl	4	5	11	
SAI FINANZIARIA S.p.A.	1	158		
SAI INVESTIMENTI SGR. S.p.A.	3			2
SIAT S.p.A.	33	2	17	13
SISTEMI SANITARI S.c.r.l.	2	1	3	1
OTHER	7	8	3	6

In particular, the principal transactions relate to:

- Auto Presto & Bene S.p.A. – the costs refer to claims in the Motor TPL class for Euro 40 million;
- BancaSai S.p.A. - the assets refer to current accounts which the parent company holds with the subsidiary for Euro 216 million and non-listed bonds issued by the subsidiary, and subscribed by the parent company for Euro 31 million;
- Fondiaria-SAI Servizi s.c.r.l. Group – the assets principally 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 36 million to reinsurance transactions, for Euro 8 million to receivables from co-insurance transactions and for Euro 5 million for employee secondment receivables; the liabilities refer principally to the inclusion of the company in the national tax consolidation for Euro 93 million, relating to the payment of intercompany IRES and for reserves of Fondiaria-SAI S.p.A. for reinsurance transactions of Euro 53 million and Group VAT payables of Euro 5 million; the costs principally refer to reinsurance transactions while the income includes consortium activities for Euro 7 million and reinsurance transactions for Euro 7 million;



- Popolare Vita S.p.A. – the assets refer to receivables for technical-managerial services provided to the parent company for Euro 4 million; liabilities refer substantially to the charge related to the tax saving of the company due to subscription to the tax consolidation, including receivables transferred to the Group for Euro 84 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 8 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 principally refer to the national fiscal consolidation regime for Euro 4 million and reinsurance liabilities for Euro 24 million, the 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)

Company	Assets	Liabilities	Costs	Revenues
<b>Subsidiaries</b>				
FINITALIA S.p.A.	7	1	8	
FONDIARIA-SAI NEDERLAND B.V.		66	2	
SAI INTERNATIONAL S.A.		5		
SIM ETOILE S.A.		15		
THE LAWRENCE LIFE LTD				3
THE LAWRENCE RE IRELAND LTD.	128	46	77	87
<b>Other holdings</b>				
EX VAR SCS	21			

In particular, the principal transactions relate to:

- Ex Var S.C.S. – the assets refer to the undertaking of obligations concerning an investment loan of Euro 21 million;
- Fondiaria Nederland B.V. - the liabilities refer to the loans obtained, while the costs refer to the interest on the loan;
- Sim International S.A. - the liabilities principally refer to loans obtained of Euro 5 million;
- Sim Etoile S.A. - the liabilities principally refer to loans obtained of Euro 15 million;
- The assets and liabilities and the costs and revenues refer to reinsurance transactions.

## Other Related Parties of Fondiaria-SAI

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 (“CONSOB Regulation”).

In approving the resolution, the Board of Directors took account of the unanimous approval by the specifically appointed committee comprising exclusively independent 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.

The balance sheet, income statement and financial data concerning transactions with related parties and the nature of the underlying activity is presented in the following tables:

(in Euro thousands)	31/12/2011		31/12/2010	
<b>COUNTERPARTY</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Holding company	171	1,421	195	734
Associated companies	507	8	555	106
Group companies	7	8	7	8
Other related parties	77,201	968	1,323	3,034
<b>Total</b>	<b>77,886</b>	<b>2,405</b>	<b>2,080</b>	<b>3,882</b>

(in Euro thousands)	31/12/2011		31/12/2010	
<b>NATURE</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Real estate activities	298	20	1,323	8
Insurance activities	-	10	-	106
Financial activities	77,075	12	-	8
Service provided	513	-	757	-
Services received	-	1,699	-	1,092
Emoluments for corporate officers	-	665	-	2,668
Remuneration to key management personnel	-	-	-	-
<b>Total</b>	<b>77,886</b>	<b>2,405</b>	<b>2,080</b>	<b>3,882</b>

(in Euro thousands)	31/12/2011		31/12/2010	
<b>COUNTERPARTY</b>	<b>Income</b>	<b>Charges</b>	<b>Income</b>	<b>Charges</b>
Holding company	164	1,973	162	2,319
Associated companies	247	537	314	-
Group companies	-	-	-	-
Other related parties	23,607	37,727	18,500	37,400
<b>Total</b>	<b>24,018</b>	<b>40,237</b>	<b>18,976</b>	<b>39,719</b>

(in Euro thousands)	31/12/2011		31/12/2010	
NATURE	Income	Charges	Income	Charges
Real estate activities	609	127	489	637
Insurance activities	23,150	11,514	18,158	16,113
Financial activities	-	1,024	-	-
Service provided	259	-	329	-
Services received	-	4,396	-	9,442
Emoluments for corporate officers	-	5,544	-	9,529
Remuneration to key management personnel	-	17,632	-	3,998
<b>Total</b>	<b>24,018</b>	<b>40,237</b>	<b>18,976</b>	<b>39,719</b>

(in Euro thousands)	31/12/2011		31/12/2010	
COUNTERPARTY	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Holding company	275	1,074	232	2,015
Associated companies	332	-	342	-
Group companies	-	-	-	-
Other related parties	23,709	39,022	18,591	38,738
<b>Total</b>	<b>24,316</b>	<b>40,096</b>	<b>19,165</b>	<b>40,753</b>

(in Euro thousands)	31/12/2011		31/12/2010	
NATURE	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Real estate activities	715	268	647	2,492
Insurance activities	23,153	11,472	18,158	14,230
Financial activities	-	843	-	-
Service provided	448	-	360	-
Services received	-	4,231	-	12,604
Emoluments for corporate officers	-	5,650	-	7,429
Remuneration to key management personnel	-	17,632	-	3,998
<b>Total</b>	<b>24,316</b>	<b>40,096</b>	<b>19,165</b>	<b>40,753</b>

The account Assets of financial nature with Other related parties include:

- Euro 58.3 million refers to the subscription of bond issued by Unicredit S.p.A.;
- Euro 9 million relates to the receivable from Unicredit S.p.A., in relation to the Margin Call Unicredit Bank which was paid to the counterparty against the market changes in the underlying derivative instruments;
- Euro 7.8 million relates to current accounts of Fondiaria-SAI with Unicredit S.p.A.;
- Euro 1.9 million refers to the amount capitalised and amortised over 5 years relating to the share capital increase in July 2011. The amount capitalised is comprised of the mandate undertaken by Unicredit S.p.A. for Euro 0.97 million; consultancy by the legal firm Studio D'Urso for Euro 0.8 million and by the lawyer Fausto Rapisarda for Euro 0.15 million respectively.

The account liabilities to Other related parties includes:

- Euro 0.3 million for invoices to receive or not yet settled for services received;
- Euro 0.7 million concerning the emoluments for the offices of Director and Statutory Auditor, with deferred payments in 2012.

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The account Income from Other related parties principally is of an insurance nature and includes:

- Euro 16 million for premiums of the Fondiaria SAI Group Employee Pension Fund and the 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 7 million of premiums relating to Non-Life policies and Life policies.

The account Charges from Other related parties relates to:

- Euro 5.5 million relating to emoluments for office and various compensation paid to directors, statutory auditors, general managers and senior management of the Parent Company for Euro 6.4 million;
- Euro 11.5 million of an insurance nature relating to the settlement of securitised Life policies against premiums received previously, matured or redeemed, 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 2.5 million referring to services received for promotional and advertising campaigns and technical-administrative consultancy fees.

On April 6, 2011, the Board of Directors approved the terms and conditions of the agreement between the Parent Company and Mr. Fausto Marchionni, previously Chief Executive Officer of Fondiaria-SAI and Milano Assicurazioni, in relation to the settlement of his employment contract. In particular the agreement establishes a gross amount of Euro 11.2 million, settled in the year, as a supplementation to the post-employment benefit. As Mr. Marchionni is considered a related party of the Company in his role as Director, the transaction was subject to examination by the Remuneration Committee and examined by an independent expert in order to establish the material correctness of the criteria adopted for the calculation of the amount and its appropriateness.

## **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 12/31/11

(in Euro thousands)	31/12/2011	31/12/2010
<b>Loss before taxes</b>	<b>(1,362,122)</b>	<b>(731,905)</b>
<b>Non-cash adjustments</b>	<b>1,620,788</b>	<b>1,003,177</b>
Change in non-life unearned premium reserve	(3,008)	62,298
Change in claims reserve and other non-life technical reserves	564,476	61,091
Change in actuarial reserves and other life technical reserves	(35,636)	399,390
Change in deferred acquisition costs	-	49
Change in provisions	17,133	20,955
Non-cash income/charges from financial instruments, property investments and holdings	492,259	270,806
Other changes (Gains, Losses, Release on provisions, bad debts, provisions, amortisation, extraordinary tax income/charge, transfer reserves to income statement)	585,564	188,590
<b>Change in payables and receivables from operating activities</b>	<b>(92,444)</b>	<b>(40,275)</b>
Change in payables and receivables from direct insurance operations and reinsurance	(90,685)	(157,232)
Change in other payables and receivables	(1,759)	116,957
<b>Income taxes paid</b>	<b>(109,613)</b>	<b>(8,369)</b>
<b>Net liquidity generated/absorbed from cash items relating to investing and financing activities</b>	<b>19,840</b>	<b>105,504</b>
Investments where risk is borne by Life policyholders and pension fund management	19,840	105,504
<b>TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>76,449</b>	<b>328,133</b>
Net cash generated/absorbed from property investments	16,829	(1,830)
Net cash generated/absorbed from investments in subsidiaries, associated companies and joint ventures	(411,523)	53,424
Net cash generated/absorbed from loans and receivables	(45,237)	9,716
Net cash generated/absorbed from investments in debt, equity and unit funds	174,405	(444,401)
Net cash generated/absorbed from intangible and tangible fixed assets	(24,196)	(1,260)
Net cash generated/absorbed from other investing activities	7,579	97,517
<b>TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(282,143)</b>	<b>(286,833)</b>
Net cash generated/absorbed from Group equity instruments	449,240	-
Net cash generated/absorbed from treasury shares	-	-
Dividends distributed	-	(67,751)
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	-	-
Net cash generated/absorbed from other financial liabilities	(80,200)	(11,219)
<b>TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>369,040</b>	<b>(78,970)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (*)</b>	<b>296,325</b>	<b>333,995</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>163,346</b>	<b>(37,670)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (*)</b>	<b>459,671</b>	<b>296,325</b>

(\*) 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:

	2011	2010
US Dollar	1.2939	1.3362
UK Sterling	0.8353	0.86075
Japanese Yen	100.2	108.65
Swiss Franc	1.2156	1.2504
Serbian Dinar	106.177	106.0450

*Milan, March 26, 2012*

*For the Board of Directors*

Mr. Emanuele ERBETTA

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**ADDITIONAL DISCLOSURE TO THE ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2011, REQUESTED BY CONSOB PURSUANT TO ARTICLE 114, PARAGRAPH 5, OF LEG. DECREE NO. 58 OF FEBRUARY 24, 1998 .**

With letter dated April 16, 2012 (protocol No. DCG/12029856), in relation to the shareholders' meeting scheduled to be held on April 23, 2012 in first call and on April 24, 2012 in second call, and concerning, among other issues, the approval of the annual and consolidated financial statements for the year ended December 31, 2011, CONSOB has requested Fondiaria-SAI S.p.A. (the "Company), pursuant to article 114, para. 5, of Leg. Decree No. 58 of February 24, 1998, to provide the information and disclosures outlined below, and provide as an attachment to the 2011 Annual Report.

The information and disclosures requested by CONSOB are illustrated below.

**In relation to the information in the Directors' Report on the "ISVAP inspections", provide further details on the issues notified by ISVAP in relation to the corporate governance system, the control systems – particularly in relation to the adequacy of the internal control system – and the transactions with related parties and the corrective measures put in place in this regard by the company or in course of implementation or updating compared to that outlined in the same report, considering that the "the significant issues identified currently do not comprise the basis for the initiation of a punitive procedure".**

The supplementary information on the issues notified by ISVAP in relation to the corporate governance system and the controls system – particularly in relation to the adequacy of the internal control system – and the transactions with related parties and the corrective measures put in place in this regard by the company or in course of implementation, is reported below.

In particular, ISVAP noted deficiencies related to:

- the operational procedures of the Board of Directors and the investigative work of the Board;
- the absence of preliminary planning by the Board of Directors in relation to a number of resolutions concerning operations of strategic importance;
- the organisational activities of the Board of Directors;
- the Internal Control Committee activities, the lack of examination concerning the control and data recording systems for related parties and the absence of evaluations concerning the substantial correctness of transactions carried out with such parties;
- within the activities of the Capital Management Committee;
- the organisation of the control related roles and their operation concerning a number of specific matters, the adequacy of the department itself, in addition to its coordination with the Compliance Committee and the coordination of the control roles;
- the Supervisory Board activities concerning the verifications of the Organisation, Management and Control model;
- the absence of a comprehensive evaluation of the financial needs concerning property initiatives both in the start-up phase and in the execution phase, with the consequent liquidity risks which the company remedied with the progressive sale of assets;
- the absence of proper management in relation to transactions with related parties concerning the adequacy of the preliminary investigation and the evaluation of the risk profiles, the adoption of specific procedures concerning the method to identify the operations to be subjected to evaluations by independent experts and

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the manner to select such experts and the carrying out of specific analysis on a number of operations identified by the control managers.

In relation to the corrective measures put in place by the Company or currently being implemented, reference should be made to the section “ISVAP inspections” in the present Directors’ Report.

In relation to the significant issues identified by ISVAP concerning the corporate governance of the real estate segment of the Group, the reorganisation is currently in progress and has already:

- established the operational guidelines for a Real Estate Committee to be constituted shortly, which responds to the need to create a decision making and coordination centre for all of the strategic activities;
- established that investment activity will be carried out through the listed companies Fondiaria-SAI and Milano Assicurazioni or through special vehicle companies controlled by them. In some specific cases, the Group may also take part in initiatives through minority holdings; for this purpose two specific departments were created - real estate advisory and real estate asset management, which respectively evaluate and analyse real estate opportunities and define the management strategy of the portfolio, controlling the operation of the service providers and
- involve Immobiliare Lombarda S.p.A., engaged also in a series of Group real estate servicing activities, in supporting the decisions, implementing the relevant strategies within its ambit.

Following the inspections carried out, ISVAP notified the Company of assessments in accordance with Article 326, paragraph 1, of Legislative Decree 209/2005, with the formal beginning of a sanction procedure in order to establish the amount of the penalty between a minimum of Euro 12,000 to a maximum of Euro 120,000 in relation to the inspections carried out on governance issues and of a minimum of Euro 15,800 to a maximum of Euro 145,400 in relation to assessments made on the claims cycle of the Motor TPL class.

**Taking account of that reported in the notes in relation to “irregularities and failings deriving from the absence of formalised procedures and adequate control systems [identified by ISVAP] in relation to both the operational manner of the management and settlement of claims, and the inventory-taking activities” describe the above-stated “irregularities and failings” in addition to the initiatives put in place to overcome the issues met.**

A summary of the principal irregularities and failings met by ISVAP and the principal actions taken are listed below:

- Issues concerning the operational procedures and the activities concerning the settlement network, with particular reference to:
  - The automatic allocation of the closure date for the claim, in relation to which ISVAP reported as imprudent the allocation to the previous year of claims closed in the first days of each year;
  - The closure of the claim, with direct expenses still pending;
  - The establishment of the natural claims reserve, i.e. that between the policyholders of the same Company, for which requests were made which could be considered the management component (valued directly by the settlement network and therefore to be considered as the effective technical commitment) instead of as the debt owing;



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- The automatic closure of claims without any action by the settlement network;
  - Other irregularities reported concerning the opening or management of reported claims or the non recognition in the Motor TPL insurance register of the name of the damaged party, in addition to other minor observations concerning the payment of “closed” claims or with an initial zero balance reserve, disputed claims closed without statement of reasoning, the non updating of the unchanged claims reserve, the unjustified closure of reopened claims and other issues met with documented evidence and claims recorded on IT systems.

The Company provided evidence and reasoning to support the various procedures adopted and the variety of situations met, establishing however their availability and willingness (which in the meantime is completed or underway), to deal with the considerations expressed by the Institute concerning:

- strengthening the control of the Networks by the Claims Structure, requiring the network, with related communication, to operate with the necessary attention to avoid the critical issues observed by the Institute;
  - further the verification activities on compliance with the procedures, in relation to the strengthening policy of the “Quality Control” unit mentioned above, preparing a control model, supplemented in a relative organisational procedure focused on the operational deficiencies highlighted by the Institute. In relation to this, the results from the execution of the new controls are currently subject to notifications to the Claims Structure (in relation to the non-fulfillment of duties by Settlement officers) and the Commercial Structure (for those of the Agencies) in order to implement the necessary actions;
  - draw up an operational manual (which in the meantime has been issued and published) with all of the provisions issued in relation to the various stages of the claims cycle, circulated immediately to the claims structure (in progress, by the managers), in order to ensure an effective communication of content.
- Issues concerning the inventory-taking procedures of the settlement network, in relation to which ISVAP noted “inaction” in relation to the duly completed review and updating of the inventory reserve, in addition to issues concerning the drawing up of the “average cost” values allocated automatically to each of the claims categories in relation to the establishment of the inventory reserve.
- Also in this case, the Company provided a detailed analysis concerning the procedures in place and the relative reasoning behind the choices made, reporting the amount of irregularities met to be of a much smaller percentage compared to the observations of the Institute. In addition the Company demonstrated its immediate availability to satisfy the requests of ISVAP, promptly introducing also significant actions; the following examples are noted:
- In order to strengthen communications between the Management and the Claims Network and to develop the activities of the network, from 2012 the Company intends to extend the inventory-taking period dedicated to the analytical review of values allocated to the reserve for each prior year claim from the beginning of July to the end of November (previously ending in the middle of October);
  - In order to better control the activities of the settlement officer, the “confirmation” function within the system will be replaced with the mandatory recording by the settlement officer of the new reserve value, even if the amount is unchanged;
  - Finally, in relation to the establishment of the “statistical reserve” and the allocation of the “average cost” values, a new table has already been issued, which now allows the establishment with greater accuracy of the average cost values. In addition, processes have been established concerning the drawing up of the table and its periodic validation (e.g. evaluation of statistical significance), in addition to the application of the table (for example structures to be involved, time periods, operational manners).

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The actions taken to remedy the issues stated above have been appointed to a Claims Task Force introduced in December 2011 and coordinated by the Risk Management structure, the objective of which is to ensure control of the activity underway (of a most engaging nature as seen above) to strengthen the controls and the adjustment of the claims management and assessment procedures, therefore consolidating the claims database. The Task Force produces, on approximately a monthly basis, an update report of the individual activities which are periodically shared with the Internal Control Committee of the Company. Therefore at the end of 2011 the Internal Audit Department has prepared an intervention plan (to be carried out between December 2011 and July 2012 and currently in progress) in order to verify the correct implementation of the corrective actions identified by the Company, in relation to all claims management operations and information flows which were highlighted by the Institute and at the end of 2011 had drawn up a specific intervention on the process and the operation of the settlement network in relation to inventory-taking. These activities have been carried out in coordination with the Compliance Department for the respective responsibilities and are in line with the implementation deadlines established for the individual corrective actions.

**In relation to the role of the settlement network in the reserve formation process, describe the various operational manners adopted in the inventory-taking in 2010 compared to that of 2011 which required a strengthening of the residual prior generation reserves.**

To better set out this issue, it was considered necessary first of all to establish the general inventory-taking procedure of the reserves made by the settlement network.

In recent years (in an unchanged manner) the inventory taking operation by the Claims Structure for the definition of the reserves of the individual claims is carried out from the beginning of the second half of the year. Specific communications are issued before the beginning of the procedure which contain the guidelines, the timelines and the indications given by the IT Structure for the extraction of the inventory-taking tables. In generale, le modalità risultano le seguenti:

- Prior years: the tables (generated in July) concern all claims, within the ambit of the Claims Structure, open at the beginning of the inventory-taking, independently of the class and type of damage. Vengono pertanto inventariati tutti i sinistri aperti al momento dell'apertura della sessione.
- Current year: the tables (generated in October) concern only some types of damage, within the ambit of the Claims Structure, open at the beginning of the inventory-taking but with the claim made by September 30.

The “managed” Motor TPL claims with only physical damage, non motor claims, such as Fire damage – only Acqua Condotta guarantee - “managed” Motor TPL claims in the last quarter, which are therefore evaluated based on the statistical “average cost” are not subject to inventory taking.

The operational technical guidelines are based on, for a correct evaluation of damage, the completion of the investigation phase in relation to the definition of the amount, of the situation in terms of responsibility allocated and the extent of the contractual guarantee: independently of the relevant year the reserve valuation is an estimate of the “current cost”.

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Considering that stated above, in terms of the strengthening of the residual Motor TPL reserves between 2010 and 2011, two effects have impacted the results:

- Regulatory and judicial developments, with the extension of the use of tables for the settlement of Non-Property damage (the so-called Milan Court Tables). These tables, issued in the first half of 2009, in the course of 2010 and 2011 have resulted in a progressive adjustment of the average values, with particular regard to fatal claims. The Milan Tables, introduced in June 2009, established new parameters for the valuation of physical damage greater than 9% of Permanent Invalidity and fatal injury: The impact of the possible application of these tables on the entire risk portfolio was estimated in 2010 to imply a revaluation of the overall Motor TPL reserves of approx. 14%. In 2010 however the tables of the Milan Court have been applied only to a certain part (approx. 60%) of the country; this implied therefore the adoption of different valuation criteria for the above stated damage and therefore the need for revaluations. In 2010, the two structures influenced greatest by the above stated criteria, those of Serious Professional Injury and Professional Disputes, carried out further investigations concerning the analysis of the individual tables of their claims portfolio subject to inventory taking (regarding the zones or the tables which have been applied), in order to simulate the impact on the revaluation of the reserves of the estimate of these damages taking account of the application of the most onerous evaluations established by the Milan tables: following this review, a first adjustment of the sums allocated to the reserve was made. This revaluation process was made only in relation to the inventory-taking of the subsequent year, following the Cassation Court judgment of June 2011 which adopted the Milan Court Tables as a fair value criteria of damage, which at this point had been extended to all of the Italian regions;
- Organisational issues: in the spring of 2011, an organisational adjustment was made to the Claim Structure with the creation of the Technical Structure which concerns fatal claims, claims with a value greater than Euro 300,000 for Motor TPL and Euro 100,000 for non motor claims and the generation No. 10 and Court Dispute: this restructuring in 2011 resulted in a review of the practices and a new technical valuation of damage more in line with the parameters of the Milan Court tables, also in light of the Cassation court judgment which in June 2011 which – as previously stated – substantially extended the application of the above Tables to all Italian Courts.

**Describe the method for the establishment of the “average cost of accepted claims” adopted in 2011, provide also the reasons for which the Company “renewed compared to the past” this method; show for the years 2005-2010 the “average cost for accepted claims” by the company, comparing with the corresponding market values.**

With closure of the 2011 financial year, the Company strengthened the average cost of accepted current generation claims (or the average cost of current generation managed claims already settled in the same year and those allocated to the reserve for settlement in coming years), increasing the average value to Euro 4,190, compared to Euro 3,900 in 2010.

In order to establish the current year reserve for managed claims, the average costs of accepted claims was adopted, based on:

- the results of the Fisher-Lange and Chain-Ladder actuarial models, adopted as the benchmark models for the entire Motor TPL claims reserve portfolio;
- analytical evaluation made by the settlement officers and valuing of the statistical average cost for claims not involved in the inventory-taking;
- average cost of accepted claims of the market in 2010, adjusted for inflation.

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**Among other issues, it is noted that the average statistical cost of 2011 was drawn up based on the new table, issued in November 2011, based on the adoption of a linear generalised model.**

The adoption of these methods in the 2011 financial statements took place also in response to that highlighted by ISVAP on September 29, 2011: the Institute in fact did not consider the value of Euro 3,900 as prudent, indicated as the average cost for accepted current generation claims in the calculation of the 2010 reserves, in that the analysis of the 2010 market data highlighted the value of the indicator, net of the IBNR component, of Euro 4,058; this average cost amounted to Euro 4,079 if considering the market data net of that relating to the Fondiaria Sai portfolio. As the market data from the 2010 financial statements was published by ISVAP on February 2, 2012 and as the only data published concerning the valuation of the claims reserves concerning the 2009 and previous financial statements, given that the parameter established by ISVAP indicated for the three year period 2007-2009 a value of approx. Euro 3,900, based on the stability over the 3-year period and the absence of further information, it could have been reasonably considered to be stable also for 2010.

The value of the average cost of accepted claims adopted by the Company between 2005 and 2010 and the corresponding market value (all amounts are net of the IBNR provision) are listed below. For greater clarity, for both aspects, the separate data between Paid and Reserved is reported; this allows greater clarity in how the Reserved Average Cost of the Company is always greater than the market average, and how the comparison between the Average Accepted Claims Costs (where the Company presents lower values than the market) is therefore generated by an effect of the different mix between the Paid and Reserved, most likely attributed to a differing current settlement policy of the Company compared to the market.

Average cost	2005	2006	2007	2008	2009	2010
<b>Fondiaria-SAI S.p.A.</b>						
<b>Accepted claims</b>	3.896	3.895	3.791	3.771	3.846	3.900
<i><b>Paid</b></i>	<i>1.869</i>	<i>1.961</i>	<i>2.028</i>	<i>2.226</i>	<i>2.245</i>	<i>2.300</i>
<i><b>Reserved</b></i>	<i>8.599</i>	<i>9.034</i>	<i>9.302</i>	<i>9.644</i>	<i>8.138</i>	<i>9.309</i>
<b>Market</b>						
<b>Accepted claims</b>	4.046	4.099	3.909	3.913	3.903	4.058
<i><b>Paid</b></i>	<i>2.154</i>	<i>2.198</i>	<i>2.229</i>	<i>2.372</i>	<i>2.362</i>	<i>2.428</i>
<i><b>Reserved</b></i>	<i>7.531</i>	<i>7.658</i>	<i>7.466</i>	<i>7.455</i>	<i>7.330</i>	<i>7.933</i>

**Concerning the declaration issued by the Appointed Actuary, on the request of the company, in relation to the fact that the Motor TPL reserves for 2011 “*may at this point be considered in line with the market averages*” show for the years 2005-2010 the comparison of the claims reserves established by the Fondiaria Group compared to the market averages.**

It should be noted that the sentence reported in the Directors’ Report (“*It is noted that the Appointed Actuary, on request of the Company, stated that at this point the Motor TPL reserves may be considered in line with the market averages*”), represents a partial summary of that established by the Appointed Actuary at the meeting of the Board of Directors of March 15, 2012, to which he was invited to attend, a sentence which therefore must be placed and interpreted in a wider context.

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In particular at the above stated meeting of the Board of Directors the appointed Actuary of the Company, referring to an estimate range of the values in relation to which he declared the adequacy of the claims reserve at December 31, 2011 of the vehicle and pleasure boat TPL division of the Company - in response to a specific question highlighted that a) the company is in line with the principal competitors in the class; b) but also these latter – except for very rare exceptions – do not establish positive ranges in relation to the actuarial valuations of claims reserve sufficiency for the vehicles and pleasure boat TPL class.

**Taking account of the issues drawn up by ISVAP on September 29, 2011 and November 17, 2011 in relation to the “observations concerning the calculation of the actuarial models, with highlighting of irregularities in the statistical projections”, establish if the Group considered it necessary also for 2011 to utilise the same Motor TPL Appointed Actuary and if the actuarial models adopted by this latter had been amended compared to the previous years. Provide further detailed information in relation to a “close and prudent selection of the parameters applied to the models, assuming a historical series if considered reliable and repeatable” compared to the procedure utilised in the previous years.**

The Group decided to employ the services also for 2011 of the same Appointed Actuary. For the valuation of the claims reserves for the financial statements 2008, 2009 and 2010, the Appointed Actuary adopted an appropriate methodological approach (the LDP Paid and Fisher-Lange methodologies), confirmed also in 2011, and the valuation choices were supported by technical elements shown in the relative Actuarial Reports on the technical reserves of the Motor TPL and Pleasure Boats classes. From 2010, the actuarial models were however implemented by each type of management.

In relation however to the actuarial models utilised by the Company and applied by the Strategic Planning and Operational Control Structure to ensure the valuation of the Claims Reserve in terms of Last Cost (or therefore, taking account of the probability that the claim is not settled in the year, but must be reserved also for one or more following years) it was confirmed also for 2011:

- the adoption of a more responsive and weighted actuarial model, establishing the same approach both for the Company and for Milano Assicurazioni S.p.A.; in particular the Fisher Lange (weighted at 35%), taking account that the high number of criteria utilised in this model increases the risk of variability) and the Chain Ladder Paid (weighted at 65%). **More specifically:**
- The valuation of the Chain-Ladder model was carried out in such a manner to consider payment for up to 15 years.
  - The Fisher-Lange model utilised for the 2010 financial statements was drawn up utilising the model for the year of the claim and adapted subsequently. From 2011 the process was optimised, moving to a dynamic type model which is used more frequently in actuarial practice.

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- **a specific focus was placed on the close and prudent construction of the reference data bases and on the selection of the parameters applied to the models, utilising historical series considered reliable and repeatable. Specifically:**

- From the 2011 financial statements, it was considered necessary to introduce an estimate of the claims reserve separately for the Ordinary TPL claims (occurring since 2006), the No Card claims and the Managed Card claims (subsequent to 2007), considering to have reached, by the 5<sup>th</sup> year of direct indemnity, an adequate level of maturity of these historic series;
- Another discontinuity compared to past years was the fact that the totality of claims was examined without carrying out any distinction between the type of event and delay. An estimate of the final reserve achieved by the model including the IBNR provision follows, cancelling in this way the estimated risk of the IBNR model present however until the 2010 financial statements; the future inflation rate employed in the Fisher-Lange was 4%, broken down as follows: inflazione endogena pari al 2% come da best practice del mercato assicurativo; inflazione esogena pari al 2%, tenuto conto che l'inflazione programmata è pari all'1,5% e quella IPCA all'1,7% (fonte Documento di Decisione di Finanza Pubblica).
- Relating to the estimate of the payment times of the Fisher-Lange model, only the irregular and non repeatable values were excluded, reliably selected.
- The development factors (link ratios) of the Chain-Ladder model were selected calculating the average of all the historical series available without making any subjective selections.

**Provide the reasons for which it was not considered appropriate to consider the revaluation of the claims reserve following the insufficiency noted by ISVAP at December 31, 2010 as a correction of the error of the previous year in compliance with IAS 8.**

As noted, the Motor TPL 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 to calculate the last cost assigned to a management level within the company which utilises statistical-actuarial methods for these purposes.

From a regulatory point of view, in fact Article 27 of ISVAP Regulation No. 16 establishes that the claims cost is valued in compliance with the last cost principle based on a projection from historical data and reliable and that, for the divisions in which the settlement process is slow or in which the analytical evaluation does not enable the consideration of all the future expected charges, the company must utilise also in the analytical valuations statistical-actuarial methodologies or valuation systems which consider the future development of costs.

The multi-phased process for the determination of the Motor TPL claims reserve (from the inventory-taking phase to that of the establishment of the last cost through utilisation of the actuarial statistical models) is informed by a multitude of parameters and competing variables which cannot be isolated and pinpointed as independent elements, nor re-measurable in a future time period on a "like-for-like" basis. These include, for example purposes and non exhaustive:

- The initial valuation of the settlement network;
- The subsequent valuation of the settlement network;
- The average costs paid by claim duration for closed claims;
- The rate of closed claims broken down by unaccepted and reopened;
- The status of the initial reserve;



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- The judicial outlook in relation to claim damages;
  - The general and sector rate of inflation;
  - Differing weights allocated to the actuarial statistical methodologies drawn up by the professional practice.

As indicated in the accounting principles, the current generation is valued based on the average cost, which is determined taking account of the best currently available information.

However the claims reserves, at like-for-like receivable due dates, of the obsolescence of inventory and the determination of the fair value of a number of financial assets and liabilities, may not be precisely measured, but may only be estimated, in order to reasonably determine its sufficiency.

The introduction of predictive elements characterise the claims reserve such as the estimated items and in confirmation of this, Article 4 of the above-stated ISVAP Regulation No. 16, establishing the general valuation principles of the financial statement reserves, introduces the concept of sufficiency of technical reserves, which were considered reasonably estimatable, and for the definition includes elements of flexibility in the valuation criteria.

Based on that commented upon above, the estimate of the reserve involves valuations based on the most recent reliable information available at the date of the preparation of the financial statements. In relation to claims not yet settled and concerning prior generations the review of the estimate was in line and recurring: this was carried out considering the changes in the circumstances on which the estimates were based, of the new information available and/or based on greater experience (including the updating of the historical database of the claims parameters, the result of the changes in the initial reserve, the judicial outlook cited on a number of occasions in the notes to the financial statements and concerning the Supreme Court judgment in June 2011 which adopted, as a reference criteria for non-property damage compensation, the Milan Court Tables).

By its nature, the review of the estimate was therefore not correlated to previous years and therefore did not correct the error as per IAS 8.

In relation to this it is noted that ISVAP, in relation to the deficiency noted on the 2010 current generation, made reference to 2010 market data concerning the average cost of accepted claims, by definition not available (it could not be reasonably assumed that it would be available in such a timeframe) at the moment of valuation of the claims reserve for the 2010 financial statements, reported in the written inspection of 29/9/2011 and subsequently to the market in February 2012.

Therefore the increase in the Motor TPL claims reserve in the 2011 financial statements should be considered, in line of that outlined above, as the product of elaborations and analyses concerning the forecast cost of claims not yet settled, established in light of the information available at the time of the preparation of the above-stated financial statements, information which differs from that utilised and available, or which could not have been forecast at the time of the preparation of the previous financial statements and therefore in line with that established by IAS 8.

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**In relation to the information concerning the issues related to the Board of Statutory Auditors in accordance with Article 2408 of the civil code contained in the Directors' Report, provide information on:**

- a) for each of the operations highlighted, (i) the state of the advancement of the investigation on the conclusions and the proposals drawn up by the Board of Statutory Auditors in the report prepared by the Shareholders' Meeting of March 19, 2012, in addition to that on the other operations subject to further examination, (ii) the initiatives undertaken and to be undertaken, establishing also if legal actions are intended (for example, damage for compensation, settlement of contracts, request for penalties, triggering of sureties), except for any decision concerning the transactions subject to the claim, which are undertaken, also in the negative outcome, by the Company carrying out the operation with related parties and to be treated in compliance with the procedures adopted in accordance with Regulation No. 17221 of March 12, 2010;**
- b) information concerning the composition of and the duties allocated to the Committee of Independent Directors which has been appointed, among others, to identify the independent experts which, from an economic, real estate and legal viewpoint, assist the Company in analyses concerning the activities carried out to date by the Committee.**

In relation to the information regarding the issues highlighted by the Board of Statutory Auditors, in accordance with Article 2408 of the civil code, contained in the Directors' Report, the following is noted.

As previously reported, the Board of Directors in the meeting of March 23, 2012 unanimously approved the mandating of a committee, comprising exclusively of independent directors, to identify the consultants to be entrusted – possibly jointly with Milano Assicurazioni – to further examine the issues relating to the procedure as per Article 2408.

The committee of independent directors selected the legal consultants as Mr. Francesco Gianni and Mr. Valerio Di Gravio. These professionals will operate alongside Mr. Carlo Pedersoli, who was appointed to a similar role by the Board of Directors of the subsidiary Milano Assicurazioni. It was also agreed together with the subsidiary Milano Assicurazioni to appoint jointly, both for the accounting and real estate aspects, consultants respectively in the form of PricewaterhouseCoopers and REAG. It will be the duty of the Committee of Independent Directors to interview the above-stated consultants in relation to the investigations requested, coordinating the activities and ensuring a timely conclusion for a prompt and exhaustive reporting to the Boards involved.

The Company formed an internal team in order to report and provide to the consultants all of the necessary documentation or that considered useful for the carrying out of their appointment. A data room was therefore prepared which is constantly updated, also based on the requests of the above stated professionals. Currently, a number of meetings have already taken place between the appointed consultants and the members of the above-stated team. The consultants have already begun to examine the documentation present in the data room. These analysis are preparatory to the carrying out of all further evaluations concerning the possibility of undertaking initiatives and to take legal steps of any nature.

Considering the significant amount of documentation to be analysed, the consultants have communicated the virtual impossibility to reach in a short timeframe a proper opinion in relation to the issues established concerning the procedure in accordance with Article 2408 of the civil code: currently it is not possible to reply in detail concerning the initiatives to be undertaken in relation to the individual operations subject to the claims reported to the Board of Statutory Auditors. It is stated in this regard that the mandate of the above-mentioned professionals is not limited to respond to the questions raised in the Board of Statutory Auditors' report, but extended to a complete examination of each of the operations highlighted, also under the specific profile to identify the necessary initiatives, legal and extra legal actions to be undertaken to protect the company.



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Therefore at the shareholders' meeting of the Company scheduled for April 23/24, 2012, at which the 2011 financial statements will be approved, they will not be in a position to respond in a comprehensive manner to any shareholder questions on the matter.

The advancement of the work and its conclusion will be subject to specific updating, in compliance with the primary requirement to inform the market.

**In relation to the information on the integration project with the Unipol Group contained in the Directors' Report, provide information on:**

- a) **the implementation of the procedures for transactions with related parties in accordance with Regulation No. 17221 of March 12, 2010 in relation to the integration project with the Unipol Group;**
- b) **the state of advancement of the negotiations and the manner and the timeframe with which the Committee of Independent Directors called to evaluate the interest of the Company to participate in the integration project and the extent and substantial correctness of the relative conditions, including any decision concerning share swap ratios of the proposed merger.**

Following the binding agreement, signed on January 29, 2012 between the Unipol Group and Premafin concerning the acquisition by the Unipol Group of control of Premafin, with consequent indirect acquisition of control of the Fondiaria-SAI Group, the Board of Directors of the Company appointed on the same date, a committee of independent directors which will express opinions concerning the legal and economic issues concerning the proposed merger.

In compliance with the provisions of the regulation of the Company in relation to the transactions with related parties, the Company, on the indication of the committee, appointed Citigroup Global Markets Limited, a company headed by Citigroup Inc., to assist the committee in the necessary activities to prepare the opinion required by the above stated regulation and by applicable laws.

According to that reported by the members of the committee, the advisor Citigroup is comprehensively and efficiently carrying out that requested by the committee, carrying out analyses and valuations and reporting results in frequent meetings and/or telephone conferences, in addition to participating on the request of the committee at meetings with the management and advisors of the company involved in the proposed operation. In this context, the committee is continually and promptly updating on the developments of the analysis and the valuations carried out.

At the time of issue of the present document, the Board of Directors of the Company is meeting which, following the proposal of the Unipol Group on the integration project communicated to the market on April 16, 2012, will examine the above-stated proposal. The result of this Board meeting will be subject to a separate press release to which reference should be made for further details.

*Milan, April 19, 2012*

*The Chief Executive Officer*

Emanuele ERBETTA

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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 Massimo Dalfelli (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 February 24, 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 01, 2011 – December 31, 2011.
2. The valuation of the adequacy of the accounting and administrative procedures for the preparation of the financial statements at December 31, 2011 is based on a Model defined by Fondiaria-SAI 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 31/12/2011:

- a) correspond 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 26, 2012*

*The Chief Executive Officer*

Mr. Emanuele ERBETTA

*The Executive Responsible  
for the preparation of the corporate accounting documents*

Mr. Massimo DALFELLI

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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, 2011 and on the activities carried out**

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To the 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, 2011.

The 2011 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 31/12/2011 report a loss of Euro 1,020.4 million. This result was based on the individual accounts and events described in detail in the Directors' Report and in the Notes. In particular, the significant net loss arises principally from extraordinary items, such as the strengthening of the prior year Motor TPL reserves, the poor financial market performance in the second part of the year and the significant impairments on majority shareholdings due to the losses incurred, the effect of the real estate market for operators in the sector, in addition to the negative impact on the property portfolio of independent valuations updated to 31/12/2011.

The Board states that the Company, also in 2011, 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 2011 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 2011.

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 2011 we attended all the meetings of the Board of Directors (22) and the meetings of the Executive Committee (2) and the Remuneration Committee (8), 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 periodic 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 2011, we met 25 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.
- 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' resolution undertaken on 14/5/2011 following the enactment of ISVAP Regulation No. 36.

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- we monitored the activity of the Internal Audit with periodic meetings with the Group Audit Manager and we participated at 14 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 2011, 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 have monitored the corrective measures put in place by the company in relation to the significant issues and observations notified by Isvap on 29/9/2011 and concerning both the Motor TPL claims cycle and the manner of calculation of the claims reserve in accordance with Regulation No. 16.  
In this regard the Directors have exhaustively outlined in the Notes the methodologies which established a need for the revaluation of the Motor TPL residual load, concerning claims managed, of Euro 476 million. Overall, the process for the valuation of the Motor TPL Reserve, including other matters in the calculation such as late claims and IBNR as well as the flat-rate reserve balance (relating to the Managed and Debit Flat-rates) results in a total reserve of Euro 2,933 million. The Actuary of the company considered this amount "to be overall sufficient to meet the commitments deriving from the insurance contracts in accordance with revisions of law and regulations and other provisions".
  - 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 206.3% to 149.3%. Despite the significant loss in the year, the constituting items however exceeded the required margin and therefore the Company is operating normally in an environment in which the profit forecasts of Directors are positive and no tensions exist concerning liquidity and the full and punctual compliance with obligations. However, in relation to the adjusted solvency margin, the coverage is over 78%, despite this the option permitted by Isvap Regulation No. 37 of March 15, 2011 was exercised which resulted in an improvement of approx. 23% on the required capital. Consequently, against the current adjusted solency 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 verified the transactions with related parties, including inter-group transactions, which comply with the criteria of material and procedural correctness and report that they did not conflict with the interests of the

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Company. Transactions of an economic and financial nature and with the Group companies and other related parties are reported in 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;
- the Board highlights also that on October 17, 2011, the shareholder Amber Capital LP addressed a complaint to the Board in accordance with the 2<sup>nd</sup> paragraph of Article 2408 of the civil code, highlighting a series of operations by the Company in relation to which the writers of the current report have been requested to carry out appropriate investigations and ascertations; in particular, the operations highlighted concern:
  - the purchase by Fondiaria-SAI of Atahotels S.p.A.;
  - the rental contract signed by Atahotels with Fondiaria-SAI concerning property held by this latter;
  - a series of property operations carried out by the Company or its subsidiaries with other related parties and, in particular, the operations called : “Via Fiorentini”, “Via Confalonieri-Via De Castilla”, “Marina Porto di Loano”, “Castello Area”, “Garibaldi Area”, “San Pancrazio Parmense”, “Via Lancetti”;
  - the allocation of remuneration to Mr. Salvatore Ligresti for property consultation carried out in favour of the Company and its subsidiary Milano;
  - the allocation of remuneration to the companies, related parties, So.Ge.Pi. S.r.l., Codigest S.p.A., Gilli S.r.l. e Gilli Communication S.p.A.;
  - the allocation of remuneration in favour of directors with particular offices.

In relation to all of the operations above, the reporting Board carried out extensive investigations whose results were included in a written report, which is attached to the minutes of the shareholders’ meeting of March 19, 2012 and which has been made available to the market through its full publication on the company internet site.

In the report, the Board highlights a series of critical issues related to the operations, drawing up in addition a series of proposals for the Board of Directors, necessary, in the opinion of the reporting board, to enable subsequent valuation by the company of more appropriate measures to be undertaken.

The report states that, to date, the Board of Directors has appointed a team of independent directors in order to identify legal and financial advisers and property experts for the verification of values, in order to enable the investigations and further verifications required by the Board of Statutory Auditors.

In the meantime, the Board, as stated in the report presented on March 19, 2012, is investigating other operations carried out by the Company, in addition to those highlighted by the shareholder Amber.



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It is stated also that on March 26, 2012, the shareholder Amber sent to the Board a second communication in which it highlights, (i) the request for a timely completion by the Board of Directors and the Board of Statutory Auditors of the investigation activities indicated in the report as per Article 2408 of the civil code, requesting the Board of Statutory Auditors to supervise the activities requested of the Board of Directors; (ii) the request for the Board of Statutory Auditors, within the investigations to be carried out, to dedicate particular attention to the impact that the irregularities highlighted may have on the accuracy of the financial disclosure provided by Fondiaria; (iii) that some of the facts reported by them would not be dealt with in the filed report.

The Board of Statutory Auditors replied with letter of March 29, 2012 in which: (i) it outlined the provisions undertaken by the Board of Directors as indicated above; (ii) stated that the investigations carried out by the Board of Statutory Auditors were in progress and at the Shareholders' Meeting account will be provided of the results; (iii) invited the shareholder to specify exactly which issues would not be dealt with in the filed report, so as to allow any supplementation to the investigations.

Shareholders are also informed that the reporting Board, in fulfilment of its legal obligations, also reported the results of the investigation activities as per Article 2408 paragraph 2 to the supervisory bodies Consob and Isvap, which however were already notified of the same facts during the inspection concluded in the previous year.

The reporting Board also stated that at the shareholders' meeting of March 19, 2012, referred to above, the shareholder Fabrizio Cirolini, represented by Mr. Gianfranco D'Atri, drew up a complaint as per Article 2408 of the civil code, first paragraph, included in the minutes of the meeting, within which the Board of Directors was requested to provide the following verifications:

*"- whether the directors had received from the executive directors all of the information required by them and if they had whether this was through relevant meetings and resolutions;*

*- evaluated the ISVAP provisions and the inspection results;*

*- evaluated the actuarial models utilised and their adequacy;*

*- evaluated the property opinions;*

*- carried out an impairment on POPOLARE VITA;*

*- evaluated in the property valuations, the conflict of interest profile of members of the Board of Directors;*

*- examined the opportunity for investments in Greek bonds which were made;*

*- evaluated the role of advisor in the financial investments carried out by the shareholder UNICREDIT with the Company."*

Given the general nature of the request reported above, with letter of March 28, 2012 the Board of Statutory Auditors invited the shareholder to describe in detail their requests.

It is noted that, within the investigations carried out in relation to the highlighted operations by the shareholder Amber, the Board decided to request the Company for a meeting with the appointed experts to prepare opinions concerning the value of property subject to the transactions with related parties highlighted by the shareholder Amber, as well as property subject to rental contracts with the company Atahotels.

In relation to the first issue in fact, the Board of Statutory Auditors decided to verify the criteria based on which the experts appointed to prepare the opinions at 31/12/2011 based their valuations which concluded in lower values, in some cases also significantly, compared to the prior year opinions.

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In relation to the second issue the Board of Statutory Auditors considered a meeting necessary with the appointed experts who calculated the property estimates of Atahotels in order to receive clarifications on the valuation methods applied.

At these meetings, held on February 27 & 28, 2012, on the one hand, the experts confirmed the appropriateness of a methodological plan and the compliance with practices normally adopted by experts applying the valuation methods; on the other hand, the Board of Statutory Auditors noted that the above stated experts – within their valuations – did not take account of the historical performance of the hotels, nor the sustainability or otherwise for Atahotels of the rentals established under the various contracts.

The Board of Statutory Auditors therefore concluded, reporting such within their report as per Article 2408 of the civil code, that the latter expert opinions could not be considered to take account of the specific situation of Atahotels.

In fact, as highlighted in the report, for the majority of the hotels, the minimum guarantees established by the various contracts represent rentals which sometimes formed a significant part of revenues.

The significant amount of rentals negatively impacted the result of Atahotels, following which it was necessary to carry out the recapitalisations made between 2009 and 2011, while further recapitalisations are forecast by the management of Atahotels for the 3-year period 2012-2014 (for a total amount of Euro 40 million).

In a situation such as that described above, in which the lessor is also the majority shareholder which on an ongoing basis recapitalises the lessee, the Board of Statutory Auditors therefore highlighted that – in its opinion – the valuation by the experts of the market value of the buildings rented by Fondiaria-SAI to Atahotels should not limit themselves to the simple noting of the existence of the rental contract (and of its economic conditions), but should have taken account of the specific situation, in addition to all the other objective elements necessary to identify the above-stated value. Relevant considerations would include, apart from the contracts currently in place, the differing market rents that a third party - not a related party - would, in the opinion of the experts, be prepared to recognise as a rental rate for the hotels in question.

In light of these considerations, the Board of Statutory Auditors therefore requested the Board of Directors to evaluate the opportunity to request the experts for more extensive valuations which take account of the above-stated elements.

Against this request, the Company informed the Board of Statutory Auditors of its request to the property experts to conduct the above-stated alternative proposal.

The results of these valuations were therefore included in the 2011 financial statements through the establishment of a relevant provision with which the Company intends to incorporate the estimated losses that would devolve from a probable renegotiation of the rents concerning the buildings rented to Atahotels.

The Board of Statutory Auditors therefore considers that, based on the information received by the Company, this provision can be considered adequate, also in consideration of the fact that on the request of the Board of Statutory Auditors, the Company clarified that the amount of the provision in question, to which are added important write-downs of values of the same properties already incorporated by the Company into the 2011 financial statements, consequent to a recalculation – carried out by experts – taking as a base the rental valuations which – in their opinion – in an arm's length transaction would reflect the characteristics of the various structures.

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- we highlight that in 2011 and until the date of the present report, the Company conferred to Reconta Ernst & Young S.p.A. appointments for:
    - the verification of the documentation of the separated management and of the annual management reports of the open pension funds and the internal insurance funds for 2011,
    - the activities related to the share capital increase of Fondiaria-SAI S.p.A.,
    - the issue of the declaration established by Article 5, paragraph 3 of ISVAP Regulation No. 37,
    - the verification procedure required by Fondiaria-SAI S.p.A. on the management and reservation of claims process (Motor TPL class) and on the Supervisory Form 29,
    - diagnosis activities related to the adoption of the new IFRS standards in 2012,total fees amounting to Euro 2,114 thousand, plus VAT.

In addition Ernst & Young Financial Business Advisors S.p.A., a company belonging to the same network as the independent audit firm Reconta Ernst & Young S.p.A. were conferred in the same period:

- the assistance services for the Executive Responsible as per law 262/2005,
  - support for reporting activities concerning the interventions conducted by the corporate taskforce on the claims and Motor TPL claims reserve management processes,
  - the provision of technical-methodological assistance in relation to the specific activities of the Solvency 2 plan of the Group until September 2013,
  - the gathering of data and information and the carrying out of the due diligence procedure,
- total fees amounting to Euro 2,055 thousand, plus VAT.

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.
- Based on meetings undertaken and assurances received from the audit firm Reconta Ernst & Young S.p.A., the auditors report on the financial statements at December 31, 2011 of the Fondiaria Sai S.p.A. does not report any exceptions but calls the reader's attention to the recapitalisation of the Company.

We express approval of the financial statements for the year ended 31/12/2011, as prepared by the Directors and of the proposal for the allocation of the result for the year.

Turin, March 30, 2012

*The Board of Statutory Auditors*

Mr. Benito MARINO  
Mr. Marco SPADACINI  
Mr. Antonino D'AMBROSIO

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## **SUPPLEMENTATION TO THE REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING ON THE RESULTS OF FONDIARIA-SAI SPA FOR THE YEAR END DECEMBER 31, 2011 AND ON THE ACTIVITIES CARRIED OUT.**

Dear Shareholders,

on March 30, 2012, and in view of the Shareholders' Meeting called for April 23 and April 24, 2012, the Board of Statutory Auditors of Fondiaria-Sai SPA (hereafter the Company) filed its report on the results of the Financial Statements of the year end December 31, 2011 and on the activities carried out. The document was published on the website of the Company.

On April 16, 2012, the Board of Statutory Auditors received a letter from CONSOB which read as follows:

*“SUBJECT: Board of Statutory Auditors' Report for the year 2011 prepared in accordance with Article 153 -ter of Legislative Decree No. 58/1998 – Requested pursuant to Article 114, paragraph 5, of Legislative Decree No. 58/1998.*

*Reference is made to the Report of the Board of Statutory Auditors to the Shareholders' Meeting on the results of the Financial Statements for the year end December 31, 2011, and the activities carried out made available to the public by Fondiaria-Sai SPA (hereafter the Company) in view of the Shareholders' Meeting called for April 23 and April 24, 2012, for the approval of the Financial Statements for the year end December 31, 2011.*

*Reference is also made to the request for information to the Board of Statutory Auditors pursuant to Article 115 of Legislative Decree No. 58/1998 (hereafter CFA) on March 26, 2012, and the reply received by CONSOB on March 30, 2012.*

*In relation to this we request the Board of Statutory Auditors, in accordance with Article 114, paragraph 5 of the CFA, to publish the following information:*

- a) the evaluations underlying not reporting without delay to CONSOB, in accordance with Article 149, paragraph 3 of the CFA, irregularities in relation to the issues subject to the complaint by the shareholder Amber Capital LP of October 17, 2011;*
- b) a summary of the critical issues reported by the Board of Statutory Auditors and the outcome of the investigations carried out following the above-mentioned complaint;*
- c) any further activities that the Board of Statutory Auditors have carried out and intends to carry out, in accordance with Article 151 of the CFA, in relation to the issues highlighted by the shareholder Amber Capital LP;*
- d) the indications provided to the Board of Directors on the deadlines for the carrying out of the verifications requested following the complaint of the above-stated shareholder;*
- e) the considerations concerning the observation by the directors over time – and in particular for the years which relate to the significant events highlighted by the shareholder Amber Capital LP – of the disclosure obligations established by Article 150, paragraph 1 of the CFA;*
- f) information on other transactions with related parties which the Board of Statutory Auditors considered appropriate to examine further and on the results (or on the state of advancement) of the investigations carried out on these operations, also with regard to the propriety of the procedures carried out and the appropriateness for the Company of such operations;*

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- g) *a summary of the significant issues notified by ISVAP on September 29, 2011 and of the corrective measures put in place in this regard by the Company or in the course of implementation, with an evaluation of the Board on the efficacy of these measures;*
  - h) *the reasons under which, although in the presence of the critical issues at the previous point b) and the significant issues noted by ISVAP at the previous point g), the Board of Statutory Auditors maintained an evaluation of reliability of the internal Control System of the Company;*
  - i) *information on the introduction of powers established by Article 238 of Legislative Decree No. 209/2005 and evaluations on the implementation of the powers established by Article 2393 of the civil code.*

*The above-stated information, together with the present requests, must be made available to the public by 8 PM on April 19, 2012, as an attachment to the Report.*

*In the manner established by Part III, Section II, Heading I of the Issuers' Regulations, a press release must also be published which communicates to the market the necessary supplementation and the present requests, indicating the manner with which this information is made available to the public.*

*THE PRESIDENT"*

As requested by CONSOB, the Board of Statutory Auditors of the Company publishes the above-mentioned information below.

Specifically:

1. **With reference to the above-mentioned point a),** in relation to the evaluations underlying not reporting without delay to CONSOB, in accordance with Article 149, paragraph 3 of the CFA, irregularities in relation to the issues subject to the complaint by the Shareholder Amber, we underline that the Board, having received the complaint from Amber, undertook without delay the investigations under its remit pursuant to the provisions of paragraph 2 of Article 2408 of the Civil Code, and subsequently sent the results of their verifications on the irregularities to the supervision authorities (specifically CONSOB and ISVAP). The Board of Statutory Auditors considered, and still consider, that the subject matter of the communication pursuant to Article 149, paragraph 3, of the CFA was the verification of irregularities, and therefore not considering on-going investigations, from which may emerge irregularities, and therefore in consideration of the needs of CONSOB not to be overloaded with inspection duties (reference should be made to Fortunato in the *Commentary of the Finance Act of the provisions in relation to Financial Intermediary*, curated by Alpa-Capriglione, Sub-Article 149, second paragraph which states: "*The Board of Statutory Auditors has the responsibility to communicate the irregularities arising on investigations undertaken, but not the mere suspect or initial investigation*"). In addition it was the conviction of the Board of Statutory Auditors that the matters reported by Amber were already noted to CONSOB, as informed by ISVAP - in accordance with the provisions of Article 10 of Legislative Decree No. 209/2005 and/or Article 25 *bis* of the CFA - of the results of the inspection which this latter institute undertook at the end of 2010 and in April 2011, also in relation to the matters reported by Amber.
2. **With reference to the matters at point b) above,** in relation to a summary of the critical issues reported by the Board of Statutory Auditors on the investigations pursuant to Article 2408 of the Civil Code, the Board attaches Sub-Document 1 which provides a summary of the Report pursuant to Article 2408 of Civil Code, and therefore inviting the Shareholders, considering the particular complexity of the operations examined and their duration, to a full reading of the Report pursuant to Article 2408 of the Civil Code, available on the website of the Company under the documentation section relating to the Shareholders' Meeting of March 16/19, 2012.

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3. **With reference to point c) above**, concerning any further activities that the Board of Statutory Auditors have carried out or intends to carry out, in relation to the issues highlighted by the Shareholder Amber, the Board considers that they have examined in detail the transactions reported by Amber and may undertake further investigations in light of the results of the investigations requested by the Company and already commenced. However we report that, compared to the already examined real estate operation in Milan, Via Confalonieri - Via De Castillia, (page 34 of the Report pursuant to Article 2408 of the Civil Code), the Board in the meantime has extended its investigations to the contract with the related party Europrogetti whose existence we were made aware the day before the end of the above mentioned Report, verifying the operation and the amount (corresponding to that indicated in page 39 of the Report). Following express request to the Company, the Board of Statutory Auditors verified that the contract in question was not subject to any fairness opinion.
4. **With reference to the above-mentioned point d)**, in relation to the indications provided to the Board of Directors on the timing for the carrying out of the verifications requested following the complaint of the above Shareholder, as indicated in the Report to the Shareholders' Meeting of March 30, 2012, the Board of Directors, in the meeting held on March 26, 2012, appointed a team of independent Directors to choose legal and financial advisors, for the valuations and verifications suggested by the Board of Statutory Auditors. In the above-mentioned Report to the Shareholders' Meeting it was also highlighted that, on March 26, 2012, the Shareholder Amber communicated to have, among other matters, requested a timely completion to the investigations necessary reported by the Board of Statutory Auditors. On March 27, 2012 the Board of Statutory Auditors, informing the CFO and General Director of the Company the need for timeliness by the Shareholder Amber, requested them to take into account this requirement in the preparation of the work plan. Shareholders are also informed that a representative of the Board of Statutory Auditors in the meantime met the advisors nominated by the Board of Directors and provided them, where requested, the necessary clarifications in relation to the investigations suggested.
5. **With reference to the above mentioned point e)**, concerning the considerations on the observations by the Directors of the disclosure requirements pursuant to Article 150, paragraph 1, of the CFA, with particular reference to the years in which the matters reported by Amber took place, it should be noted that the disclosure obligations pursuant to Article 150, paragraph 1 of the CFA, were always complied with, in accordance with consolidated business practices of the Company, through a specific point in the report on the corporate activities also in accordance with Article 150, paragraph 1 of Legislative Decree Number 58/98 contained in the Agenda of the Board of Directors' Meetings. However, compared to the matters reported by the Shareholder Amber, the Board of Statutory Auditors, in its Report pursuant to Article 2408 of the Civil Code to which reference should be made, highlighted some disclosure discrepancies in the investigations carried out.
6. **With reference to the above mentioned point f)**, concerning information on other transactions with related parties which the Board of Statutory Auditors considered appropriate to examine further and on the results (or on the state of advancement) of the investigations carried out, we report that the Board identified other operations appropriate to examine further and requested the relative documentation from the company. The following operations have been examined to date:
- "Villa Ragionieri" real estate operation;
  - sponsor contract with Laità Srl;
  - contract with Europrogetti within the Via De Castillia operation;
  - acquisition of land in Bruzzano and building rights in Pieve Emanuele;
  - "The One" real estate operation;
  - acquisition of Alerion shares;



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- Real estate restructuring operation and expansion of the “Golf hotel”.

The Board of Statutory Auditors also reserves the right to review: The real estate operation in Milan, Via Cambi, the capitalisation operation of the subsidiary, Meridiano Aurora S.r.l; the purchase of 43% of the Share Capital of a vehicle company for the realisation of the real estate project in Milan in the area called Isola.

In relation to the supplementary investigations, reference should be made to attachment sub 2. We highlight that this document, if requested, may be better illustrated in the next Shareholders’ Meeting to be held on April 23/24, 2012 and that the Board of Statutory Auditors will formally request that this illustration precedes the discussion and resolution on the matters on the Agenda.

7. **With reference to point g) above**, concerning a summary of the significant issues notified by ISVAP on September 29, 2011, and of the corrective measures adopted by the company, together with an evaluation by the Board of Statutory Auditors on the efficiency of these measures, we report below. Following the reception of the communication from ISVAP protocol number 21-11-001260, the company created, on October 3, 2011, an interdepartmental work group (the Claims Task Force) which, under the supervision of the Chief Executive Officer and the General Manager, put in place the following activities:

- analysis of significant issues, formulation of its deductions, definition of the remedial plan and support of the “Legal and Corporate” structure in the preparation of the response to ISVAP (sent on December 6, 2011);
- preparation of a “Master Plan” in order to govern the implementation phases, meet the deadlines proposed in the response to ISVAP;
- constitution of a Project Committee which – under the supervision of the coordination of the control department manager – monitors the effective implementation of the interventions made.

The Internal Control Committee, the Board of Directors and the Board of Statutory Auditors were regularly informed on the progress of the work. The *Claims Task Force* identified 37 corrective actions, broken down into 14 macro-interventions, in turn related to 3 areas:

- Interventions on the Claims Reserves estimation process;
- Interventions on the claims reservation and management processes;
- Interventions on the Internal Control System.

Below a brief summary of the significant issues and the interventions necessary to ensure compliance of the operations of the Company are provided.

#### 1. Interventions on the estimate process of the Claims Reserves.

The principal ISVAP significant issues regard in summary the manner of determination of the financial statement reserve, in the various procedural phases.

The principal corrective measures adopted included the overall review of the methodologies and the valuation methods of the reserves and the relative estimate criteria, with consequent adjustment of the statistical-actuarial models, together with the review of the table of average costs of the relative management process.

#### 2. Interventions on the claims reservation and management processes

The principal ISVAP issues relate to the traceability of the evaluation process of the claims reserve and on the carrying out of controls of the settlement network.

The corrective measures implemented resulted in the drawing up of an operational manual of the reservation process by the network and in the establishment of the various phases of the valuation process, in addition to focused strengthening actions in the control of the network operation.

In addition to these measures, the definition and implementation of a “control model” to evaluate all of the individual operational deficiencies highlighted by Isvap together with a pervasive training intervention on the network.

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### 3. Interventions on the Internal Control System

The principal issues highlighted by ISVAP concern, on the one hand, the request for the introduction of a verification programme by the relevant control functions on the issues highlighted by the Institute; on the other, the keeping of the insurance registers. The action of the Company established the execution of specific interventions to be undertaken by the Audit and Compliance department on the processes subject to significant issues, in addition to the various corrective interventions adopted by the Company.

In relation to the insurance registers the Company implemented a specific initiative to strengthen the monitoring of the above-mentioned registers.

The above-mentioned interventions enabled normal operations.

In relation to the current status, it is stated that:

- priority was given to the interventions which had a direct impact on the 2011 Financial Statements as well as interventions considered of a more critical nature;
- the state of advancement of the interventions stood at approx. 75%;
- the verification programme of the Audit and Compliance department will continue in the second quarter of 2012.

8. **With reference to point h) above**, concerning the reasons for which the Board of Statutory Auditors, although in the presence of the issues arising in the report pursuant to Article 2408 of the Civil Code and the matters noted by ISVAP, maintained the opinion on the reliability of the internal control system of the Company, we report that this evaluation was made in consideration of the interventions adopted during 2011 by the Company on its corporate governance structure in order to eliminate such issues, in particular with regard to transactions with related parties. The Board of Statutory Auditors reported on these interventions at Chapter 6 of the Report pursuant to Article 2408 of the Civil Code.

In particular, in supplementation of that already noted, in the meeting of July 21, 2011, the Board of Directors of Fondiaria-SAI approved the creation of a specific organisational body called the “Inter-group Activity Unit”, headed by the Chief Executive Officer, in order to, among other issues, evaluate the best method to fulfil the requirements concerning transactions with related parties.

In the same meeting the Board resolved (i) to modify the company organisational structure placing the audit, compliance and risk management departments directly, both hierarchically and functionally, under the Board of Directors; (ii) to change the managers of the control function; (iii) to create, with the prior winding up of the Compliance Committee and coordination of the governance functions to a new committee (composed of the audit, compliance, risk management managers, Chairman of the Board of Statutory Auditors, representative of the internal control committee, representative of the supervised organisation pursuant to Legislative Decree 231/2001 and the Manager of the inter-group activity unit) in order to collaborate between the various control functions through the exchange of information pursuant to ISVAP regulation number 20/2008.

On August 2, 2011 the Board of Directors of Fondiaria-SAI appointed the Manager of the Intergroup Activity Unit with the following responsibilities:

- guarantee adequate procedures for transactions with related parties, ensuring that the approval process is in line with the “Conduct principles for undertaking significant operations and procedures for transactions with related parties” as well as the Guidelines for inter-group operations;
- ensure that the procedures for the transactions take into consideration all aspects required by internal regulations, and in particular, the motivations and interest of the company in the operation, as well as the strategic and industrial value;



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- ensure that all parties concerned in the evaluation of the underlying risks to the transaction and the relative impacts are involved in the procedures, also in terms of current and future liquidity needs;
  - monitor the execution phase of the transactions with related parties, including the payment method, verifying the correct implementation of the procedural steps defined by the procedures adopted and those established in the approval phase;
  - monitor the risk of conflicts of interest for the Company, with particular regard to the following aspects:
    1. define qualitative and quantitative characteristics of the “non-ordinary” conditions of the operations;
    2. identify operations which by type, size and characteristics must be concluded with the assistance of independent experts;
    3. They will draw up procedural guidelines for identifying companies to undertake works in the real estate sector;
    4. Select independent experts for the undertaking of appointments based on objective criteria which guarantees impartiality;
    5. Identify criteria for the definition of the contents of the appointments of the independent experts.

The inter-group activity unit was also assigned the duty to support the Internal Control Committee, the Remuneration Committee and the Board of Statutory Auditors, in relation to their respective ambit, concerning the duties attributed to them in relation to transactions with related parties.

The second important intervention undertaken by the company was the introduction of new conduct principles for undertaking transactions with related parties – in accordance with the provisions of CONSOB resolution number 17221/2010 – adopted by Fondiaria-SAI on November 30, 2010 and subsequently updated on December 23, 2011. In particular following the adoption of these principles (for explanatory purposes reference is only made to the most updated version, or rather those adopted on December 23, 2011) significant matters were introduced in relation to the management of transactions with related parties compared to that carried out up to December 31, 2010; in particular, the following matters are included:

1. Exclusive and prior <sup>(2)</sup> remit of the Board of Directors or the Shareholders’ Meeting in relation to all operations with related parties, of greater or lesser significance;
2. The necessity - in relation to the most significant operations – of the prior acquisition of binding opinions from the independent Directors Committee, with the responsibility also to evaluate the substantial correctness <sup>(3)</sup> of the operation;
3. The necessity - in relation to less significant operations – for the acquisition of prior non-binding opinion of the internal control committee (or, in some cases, of the remuneration committee) with the duty also to evaluate the substantial correctness of the operation;
4. That the General and Corporate Secretary, with the support of the departments concerned, undertakes a mapping of the related parties of the company, on the basis of the information already available or in any case provided to the company by the persons which control directly or indirectly Fondiaria-Sai, the executives which control Fondiaria-Sai as well as the parties as per Article 114, 5<sup>th</sup> paragraph, of the CFA which - through the General and Corporate Secretary - must communicate to the company all necessary information in order to guarantee the application of these principles, in particular in the identification of direct and indirect related parties.
5. The creation of a **register of the transactions with related parties** which provide an overview of the accounting and financial aspects relating to the transactions with related parties with the aspects of a disclosure nature;

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6. Any transaction with related parties, even of an insignificant amount, is communicated in advance to the newly incorporated Inter-Group Activity Unit which has also the responsibility to update the register of the transactions with related parties based on the communications received from the various departments;
  7. The conservation by the General and Corporate Secretary of the documentation relating to the strategic aspects, the economic/financial aspects, the legal and fiscal profile, the description of the nature of the correlation, of the interest of the company for its completion, any non-ordinary profile, any legal and fairness opinions acquired - in addition to the Manager of the relevant department - and to the Inter Group Activity Unit.

We also report that in accordance with Article 15 of the above mentioned principles, the Board of Directors will, at least every three years review and, where considered necessary, update the above mentioned procedures, with regard to any modifications in the ownership structure and the efficiency of the procedures. In addition the decision of the Board of Directors to proceed or not to proceed to the review of the procedures must be preceded by a non-binding opinion of a specifically constituted committee, which may already have been set up, composed of at least 2 independent directors.

9. **with reference to the above reported point i)** the information on the introduction of powers established by Article 238 of Legislative Decree No. 209/2005 and evaluations on the implementation of the powers established by Article 2393 of the civil code, the following is stated.

With reference to Article 238 of Legislative Decree 209/2005, the Board of Statutory Auditors, in consideration of the provisions of paragraph 2 of the legislation in question, on March 16, 2012 transmitted - with all legal effects - the results of their investigations to ISVAP for their evaluations. With letter of April 4, 2012 ISVAP considered the expression “*with all legal effects*” not clear and requested clarification from the Board of Statutory Auditors and also requested the Board of Statutory Auditors whether they would make a complaint pursuant to Article 238, paragraph 2, of Legislative Decree Number 209/2005 and whether the matters in the afore-mentioned complaint related only to those in the report as per Article 2408 of the Civil Code.

In relation to such a request, the Board of Statutory Auditors clarified they considered the matters alone outlined in their report (as further investigations are still on-going) were sufficient to conclude, in accordance with the regulation, “*the suspicion that Directors... have undertaken serious irregularities in the management of the company which could be harmful to the company or to one or more subsidiaries*” and therefore the transmission of the report pursuant to Article 2408 of the Civil Code to ISVAP was made with all legal effects, including those pursuant to Article 238, second paragraph, of Legislative Decree 209/2005.

The Board of Statutory Auditors however clarified to consider that full certainty in relation to the existence of the irregularities suspected and in the quantification of any damage to the company could only be reached after the results of the verifications requested to the Board of Directors and which are currently on-going.

In relation to the provisions of Article 2393 of the Civil Code, the Board of Statutory Auditors considers that all evaluations in relation to the actions included therein may only be considered on the outcome of the investigations reported in the report pursuant to Article 2408 of the Civil Code and which the Board of Directors were invited to undertake.

The Board of Statutory Auditors also consider it indispensable to report to the Shareholders on a further complaint pursuant to Article 2408 of the Civil Code received subsequent to the above mentioned letter from CONSOB.

The letter received on the evening of April 16, 2012 - also addressed to the Board of Directors of the Company and copied for information purposes to CONSOB and ISVAP - (see attachment Sub Doc 3) from the companies Arepo PR S.p.A. and Palladio Finanziaria Spa, state that the merger project described in the agreement between Unipol Gruppo Finanziario S.p.A. and Premafin S.p.A. of January 29, 2012, would be, in their opinion, seriously

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damaging to the interests of the Company, of its creditors, and of its shareholders for a series of reasons described in detail in the letter (to which reference should be made).

The above mentioned companies concluding noted that, *“where the decisions which the Board of Directors of Fondiaria-Sai already adopted (i.e.: creation of a placement consortium and proposal for a share capital increase to be presented to the Shareholders’ Meeting of March 19, 2012) together with those which will be subsequently adopted, have the objective to, or have the effect of, contributing to the realisation of the integration project between Premafin/Unipol (which, as currently constructed, is largely against the interests of the minority shareholders), the conduct of the Directors must be carefully evaluated to assess the correctness compared to the exclusive objective to stabilise the capital and financial position of Fondiaria-Sai”*.

Therefore these parties requested the Board of Statutory Auditors *“to continually evaluate and verify, also with regard to the provisions of the second paragraph of Article 2408 of the Civil Code, that the above mentioned operations are undertaken and will be undertaken in the exclusive interests of the Company and be in accordance with the regulatory principles to which the Directors are bound providing adequate clarifications with the maximum urgency in accordance with the provisions of Article 2408 of the Civil Code”*.

The Board of Statutory Auditors replied to the above mentioned communication with their letter of today reserving the right to report at the Shareholders’ Meeting in relation to the matters in the above mentioned letter (see attachment Sub Doc 4) and highlighting that the Board of Statutory Auditors will formally require that this illustration proceeds the discussions and the deliberations of the other points on the Agenda.

Attachments<sup>(5)</sup>: Report as per Article 2408 of the civil code; Supplementary Report as per Article 2408 of the civil code; Arepo and Palladio Finanziaria letter of April 16, 2012; Board of Statutory Auditors’ letter of April 18, 2012 with attached letter of April 12, 2012 of the Board of Statutory Auditors to the Board of Directors of the Company.

Milan, April 18, 2012

*The Board of Statutory Auditors*

Mr. Benito MARINO

Mr. Marco SPADACINI

Mr. Antonino D’AMBROSIO

- (1) Comprised of: Non-life and Networks Department, Strategic Planning and Management Control Planning Department, IT Department, Administration and Audit Department, Compliance and Organisation Department.
- (2) We recall that the conduct principles in force up to December 31, 2010 on the other hand required that the resolution of the Board of Directors should be applied normally in advance.
- (3) In accordance with the conduct principles in force up to December 31, 2010 the Internal Control Committee only had the duty to verify the procedural correctness of these transactions.
- (4) Where a transaction with related parties is undertaken despite a negative opinion of the Internal Control Committee or of the Remuneration Committee (or the alternative controls as per Article 7), Article 7.3 requires that in the fifteen days subsequent to the end of the quarter in which the operation takes place a document is made available to the public, in accordance with the procedures required by the regulation, containing the indication of the counter party, of the operation and the amount paid, as well as the reasons for not concurring with the opinion of the Internal Control Committee or of the Remuneration Committee (or of the alternative controls). These opinions are published on the Company website.
- (5) The above mentioned attachment are fully published in the section 2012 Shareholders’ Meeting on the website of the group [www.Fondiaria-SAI.IT](http://www.Fondiaria-SAI.IT) under Shareholders’ Office of Fondiaria-Sai.

## 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>Mr. Benito MARINO (Chair, Board of Statutory Auditors)</b>		
1. Fondiaria-SAI S.p.A.	Chair, Statutory Auditors	31/12/2011
2. Atahotel S.p.A. Aziende Turistiche Alberghiere	Chair, Statutory Auditors	31/12/2011
3. BancaSai S.p.A.	Chair, Statutory Auditors	31/12/2012
4. Chef Italia S.p.A.	Statutory Auditor	31/12/2013
5. Finanziaria Saccarifera Italo-Iberica S.p.A.	Chair, Statutory Auditors	31/12/2011
6. International Strategy S.r.l.	Chair, Statutory Auditors	31/12/2011
7. Mifin S.r.l.	Chair, Statutory Auditors	31/12/2012
8. Popolare Vita S.p.A.	Statutory Auditor	31/12/2012
9. Sai Mercati Mobiliari SIM S.p.A.	Chair, Statutory Auditors	31/12/2013
10. SIAT S.p.A.	Chair, Statutory Auditors	31/12/2012
11. Silent Gliss Italia S.r.l.	Chair, Statutory Auditors	31/12/2012
12. Medit Italia S.r.l.	Chair, Statutory Auditors	31/12/2013
13. Tavola S.p.A.	Chair, Statutory Auditors	31/12/2013
<b>Number of offices held in issuing company</b>	<b>1</b>	
<b>Total number of offices held</b>	<b>13</b>	
<b>Mr. Marco SPADACINI (Standing Member)</b>		
1. Fondiaria-SAI S.p.A.	Statutory Auditor	31/12/2011
2. AMBI S.p.A.	Chair, Statutory Auditors	30/06/2013
3. Apple Italia S.r.l.	Chair, Statutory Auditors	30/09/2012
4. Apple S.p.A.	Chair, Statutory Auditors	30/09/2012
5. Arnoldo Mondadori Editore S.p.A.	Director	31/12/2011
6. Atlantia S.p.A.	Chair, Statutory Auditors	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. Expo 2015 S.p.A.	Statutory Auditor	31/12/2011
11. Intesa San Paolo S.p.A.	Supervisory Board	31/12/2012
12. Metroweb S.p.A.	Director	31/12/2013
13. Transalpina Di Energia S.r.l.	Statutory Auditor	31/10/2013
<b>Number of offices held in issuing company</b>	<b>4</b>	
<b>Total number of offices held</b>	<b>13</b>	

Company name	Office	Expiry
<b>Mr. Antonino D'AMBROSIO (Standing Member)</b>		
1. Fondiaria-SAI S.p.A.	Statutory Auditor	31/12/2011
2. Az. Agricola S. Lucia	Chair. Statutory Auditors	31/12/2013
3. Europrogetti S.r.l.	Chair. Statutory Auditors	31/12/2012
4. Fidespert S.p.A.	Statutory Auditor	31/12/2012
5. Finadin S.p.A.	Chair. Statutory Auditors	31/12/2011
6. Fiumicino Tributi S.p.A.	Chair. Statutory Auditors	31/12/2013
7. Fonti e Terme d'Italia S.p.A. in liquidazione	Statutory Auditor	31/12/2011
8. Grassetto Costruzioni S.p.A.	Chair. Statutory Auditors	31/12/2013
9. Grassetto S.p.A. in liquidazione	Statutory Auditor	31/12/2012
10. I.C.E.IN S.p.A	Chair. Statutory Auditors	31/12/2013
11. I.F.I.CEN. S.p.A.	Chair. Statutory Auditors	31/12/2011
12. Immobiliare Costruzioni IM. CO S.p.A.	Chair. Statutory Auditors	31/12/2013
13. Impr. A. Brambilla S.p.A.	Chair. Statutory Auditors	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. Statutory Auditors	31/12/2013
17. Premafin HdP S.p.A.	Statutory Auditor	31/12/2013
18. Raggruppamento Finanz. S.p.A.	Chair. Statutory Auditors	31/12/2011
19. SAI Mercati Mobiliari – SIM S.p.A.	Statutory Auditor	31/12/2013
20. Sinergia HdP S.p.A.	Chair. Statutory Auditors	31/12/2012
21. Soc. Agricola Tenuta Cesarina S.r.l.	Chair. Statutory Auditors	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**

**FONDIARIA-SAI S.p.A.**

**Bilancio d'esercizio al 31 dicembre 2011**

**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**



**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 2011. 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 da noi emessa in data 5 aprile 2011.

3. A nostro giudizio, il bilancio d'esercizio di FONDIARIA-SAI S.p.A. al 31 dicembre 2011 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. Si richiama l'informativa fornita dagli amministratori nella relazione sulla gestione e nella nota integrativa in merito alla delibera dell'assemblea degli azionisti del 19 marzo 2012, per la parte relativa all'aumento di capitale, che si colloca nell'ambito del piano di interventi richiesto dall'Istituto di Vigilanza. Il rafforzamento patrimoniale si prefigge, anche in via complementare ad altre iniziative, di ripristinare il margine di solvibilità corretto del Gruppo al di sopra del minimo regolamentare.  
Gli amministratori informano altresì che la predetta delibera conserverà efficacia indipendentemente dall'operazione di integrazione con Unipol e che, se il progetto d'integrazione non risultasse più perseguibile, si attiveranno senza indugio per ottenere le necessarie autorizzazioni al fine di dare corso all'esecuzione dell'aumento di capitale.
5. 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 2011.

Torino, 31 marzo 2012

Reconta Ernst & Young S.p.A.

A handwritten signature in dark ink, appearing to read 'Ambrogio Virgilio', is written over the printed name and title.

Ambrogio Virgilio  
(Socio)

**Prof. RICCARDO OTTAVIANI**

ATTUARIO

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**

*Spettabile*

Reconta Ernst & Young S.p.A.  
Corso Vittorio Emanuele II, 83  
10128 - Torino

OGGETTO: Fondiaria-Sai S.p.A. - BILANCIO DELL'ESERCIZIO 2011

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 **Fondiarria-Sai S.p.A.** chiuso al 31 dicembre 2011.

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, 29 marzo 2012



L'attuario  
Prof. Riccardo Ottaviani

A handwritten signature in black ink, appearing to be "R. Ottaviani", written over the printed name.

**Prof. RICCARDO OTTAVIANI**

ATTUARIO

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**

*Spettabile*

Reconta Ernst & Young S.p.A.  
Corso Vittorio Emanuele II, 83  
10128 - Torino

OGGETTO: Fondiaris-Sai S.p.A. - BILANCIO DELL'ESERCIZIO 2011

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 **Fondiaris-Sai S.p.A.** chiuso al 31 dicembre 2011.
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, 29 marzo 2012

L'attuario

Prof. Riccardo Ottaviani



## **Attachments**

## **Others attachments**

- **List of direct and indirect investments of more than 10% in non-listed companies**
- **Statement of change in shareholders' equity**
- **Statement as per Art. 10 of Law No. 72 of 19/3/83**
  - **Buildings owned**

## List of direct and indirect holdings in non-listed companies of above 10% of the share capital at 31/12/2011

(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 31/12/2011 OF THE FOLLOWING SHARES/QUOTAS WITH VOTING RIGHTS

Company name	Company holding	Voting shares held	% Holding	% Total
Registered offices				
APB CAR SERVICE SRL	Auto Presto&Bene S.p.A.	10,000	100.000	100.000
Italy				
ATA BENESSERE SRL	Atahotels	100,000	100.000	100.000
in liquidation	Compagnia italiana Aziende Turistiche Alberghiere S.p.A.			
Italy				
ATAHOTELS Compagnia italiana	Fondiarria-SAI S.p.A.	7,650,000	51.000	100.000
Aziende Turistiche Alberghiere S.p.A.	Milano Assicurazioni S.p.A.	7,350,000	49.000	
Italy				
ATAVALUE SRL	Sai Holding Italia S.p.A.	10,000	100.000	100.000
Italy				
AUTO PRESTO&BENE SPA	Fondiarria-SAI S.p.A.	5,000,000	100.000	100.000
Italy				

A7 SRL	Immobiliare Milano Assicurazioni s.r.l.	40,000	20.000	20.000
in liquidation				
Italy				
BANCASAI SPA	Fondiarìa-SAI S.p.A.	1,166,771,610	100.000	100.000
Italy				
BIM VITA SPA	Fondiarìa-SAI S.p.A.	5,750,000	50.000	50.000
Italy				
BORSETTO SRL	Immobiliare Milano Assicurazioni s.r.l.	1,335,149	44.928	44.928
Italy				
BRAMANTE SRL	Immobiliare Fondiarìa-SAI s.r.l.	10,000	100.000	100.000
Italy				
BUTTERFLY AM SARL	Immobiliare Fondiarìa-SAI s.r.l.	6,666	28.570	28.570
Luxembourg				
CAMPO CARLO MAGNO SPA	Milano Assicurazioni S.p.A.	18,622,400	100.000	100.000
Italy				
CARPACCIO SRL	Immobiliare Fondiarìa-SAI s.r.l.	10,000	100.000	100.000
Italy				
CASA di CURA VILLA	Fondiarìa-SAI S.p.A.	70,000	100.000	100.000
DONATELLO SPA – Italy				
CASCINE TRENNO SRL	Immobiliare Fondiarìa-SAI s.r.l.	10,000	100.000	100.000
Italy				
CENTRO ONCOLOGICO FIORENTINO CASA di CURA VILLANOVA SRL - Italia	Fondiarìa-SAI S.p.A.	350,000	100.000	100.000

Name of Company	Company holding	Voting Shares held	% held	% Total
<b>Registered offices</b>				
CITTÀ DELLA SALUTE SCRL	Casa di Cura Villa Donatello S.p.A.	50,000	50.000	100.000
Italy	Centro Oncologico Fiorentino -			
	Casa di Cura Villanova s.r.l.	45,000	45.000	
	Donatello Day Surgery s.r.l.	2,500	2.500	
	Florence Centro di Chirurgia Ambulatoriale s.r.l.	2,500	2.500	
COLPETRONE SRL	Saiagricola S.p.A. – Società Agricola	10,000	100.000	100.000
Italy				
COMPAGNIA TIRRENA DI ASSICURAZIONI SPA	Milano Assicurazioni S.p.A.	3,900,000	11.143	11.143
in voluntary liquidation				
Italy				
CASTELLO CONSORTIUM	Nuove Iniziative Toscane s.r.l.	399,276	99.570	99.570
Italy				
CONSORZIO SERVIZI TECNOLOGICI SCRL	Fondiaria-SAI S.p.A.	3,500	3.500	15.000
Italy	Gruppo Fondiaria SAI Servizi S.c.r.l.	9,000	9.000	
	Milano Assicurazioni S.p.A.	2,000	2.000	
	Sistemi Sanitari S.c.r.l.	500	0.500	
CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA	Fondiaria-SAI S.p.A.	601,400	30.070	30.070
Italy				
DDOR AUTO DOO	Ddor Novi Sad A.D.O.	1	100.000	100.000
Serbia				
DDOR GARANT	Ddor Novi Sad A.D.O	8,472	32.460	40.000
Serbia	Ddor Re Joint Stock Reinsurance Company	1,968	7.540	
DDOR NOVI SAD A.D.O.	Fondiaria-SAI S.p.A.	2,114,285	99.993	99.993



Serbia				
DDOR RE JOINT STOCK REINSURANCE COMPANY	Ddor Novi Sad A.D.O	1	0.002	100.000
	The Lawrence Re Ireland Ltd.	49,999	99.998	
Serbia				
DIALOGO ASSICURAZIONI SPA	Milano Assicurazioni S.p.A.	8,818,363	99.848	99.848
Italy				
DOMINION INSURANCE HOLDINGS LTD	Finsai International S.A.	50,780,305	100.000	100.000
Great Britain				
DONATELLO DAY SURGERY SRL	Centro Oncologico Fiorentino - Casa di Cura Villanova s.r.l.			
Italy		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	Fondiarria-SAI S.p.A.	100,000	100.000	100.000
Italy				
EX VAR SCA	Fondiarria-SAI S.p.A.	4,537	12.189	18.968
Luxembourg	Immobiliare Milano Assicurazioni s.r.l.	2,523	6.778	
FINADIN SPA FINANZIARIA DI INVESTIMENTI	Saifin Saifinanziaria S.p.A.	40,000,000	40.000	40.000
Italy				
FINITALIA SPA	BancaSai S.p.A.	15,376,285	100.000	100.000
Italy				
FIN.PRIV. SRL	Fondiarria-SAI S.p.A.	5,714	28.571	28.571
Italy				

Name of Company	Company holding	Voting Shares held	% held	% Total
Registered offices				
FINSAI INTERNATIONAL S.A. Lussemburgo	Fondiarìa-SAI S.p.A.	80,000	19.922	100.000
	Sailux S.A.	145,183	36.154	
	Sainternational S.A.	176,383	43.924	
FLORENCE CENTRO DI CHIRURGIA	Centro Oncologico Fiorentino –			
AMBULATORIALE SRL	Casa di Cura Villanova s.r.l.	10,400	100.000	100.000
Italy				
FONDIARIA-SAI NEDERLAND BV	Fondiarìa-SAI S.p.A.	1,907	100.000	100.000
Holland				
FONDIARIA-SAI SERVIZI TECNOLOGICI SPA	Fondiarìa-SAI S.p.A.	61,200	51.000	51.000
Italy				
GARIBALDI SCA	Milano Assicurazioni S.p.A.	9,920	32.000	32.000
Luxembourg				
GLOBAL CARD SERVICE SRL	Liguria Società di Assicurazioni S.p.A.	43,472	44.000	95.000
in liquidation	Liguria Vita S.p.A.	50,388	51.000	
Italy				
GRUPPO FONDIARIA SAI SERVIZI SCRL	Auto Presto&Bene S.p.A.	2,000	0.020	100.000
Italy	BancaSai S.p.A.	2,000	0.020	
	Bim Vita S.p.A.	2,000	0.020	
	Dialogo Assicurazioni S.p.A.	20,000	0.200	
	Europa Tutela Giudiziaria S.p.A.	2,000	0.020	
	Finitalia S.p.A.	2,000	0.020	
	Fondiarìa-SAI S.p.A.	6,416,472	64.165	
	Immobiliare Lombarda S.p.A.	2,000	0.020	
	Incontra Assicurazioni S.p.A.	2,000	0.020	

	Liguria Società di Assicurazioni S.p.A.	2,000	0.020	
	Liguria Vita S.p.A.	2,000	0.020	
	Milano Assicurazioni S.p.A.	3,421,000	34.210	
	Pronto Assistance Servizi S.c.a.r.l.	2,000	0.020	
	Pronto Assistance S.p.A.	90,000	0.900	
	Sai Mercati Mobiliari – Società di Intermediazione Immobiliare S.p.A.	2,000	0.020	
	SIAT – Società Italiana di Assicurazioni e Riassicurazioni S.p.A.			
	Systema Compagnia di Assicurazioni S.p.A.	10,528	0.105	
	The Lawrence Re Ireland Ltd.	18,000	0.180	
		2,000	0.020	
HINES ITALIA SGR SPA	Fondiarria-SAI S.p.A.	368,866	18.000	18.000
Italy				
HOTEL TERME DI SAINT VINCENT SRL	Atahotels	15,300	100.000	100.000
Italy	Compagnia italiana Aziende Turistiche Alberghiere S.p.A.			
IGLI SPA	Immobiliare Fondiarria-SAI s.r.l.	4,020,000	16.667	33.333
Italy	Immobiliare Milano Assicurazioni s.r.l.	4,020,000	16.667	
IMMOBILIARE FONDIARIA-SAI SRL Italia	Fondiarria-SAI S.p.A.	20,000	100.000	100.000
IMMOBILIARE LITORELLA SRL	Immobiliare Fondiarria-SAI s.r.l.	10,329	100.000	100.000
Italy				
IMMOBILIARE LOMBARDA SPA	Fondiarria-SAI S.p.A.	92,458,632	64.172	100.000
Italy	Milano Assicurazioni S.p.A.	51,620,836	35.828	
IMMOBILIARE MILANO ASSICURAZIONI SRL	Milano Assicurazioni S.p.A.	20,000	100.000	100.000
Italy				

Name of Company	Company holding	Voting Shares held	% held	% Total
<b>Registered offices</b>				
INCONTRA ASSICURAZIONI SPA	Fondiarìa-SAI S.p.A.	2,652,000	51.000	51.000
Italy				
INIZIATIVE VALORIZZAZIONI EDILI – IN V.ED. SRL	Immobiliare Fondiarìa-SAI s.r.l.	10,329	100.000	100.000
Italy				
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA	Immobiliare Fondiarìa-SAI s.r.l.	500,000	100.000	100.000
Italy				
ISOLA SCA	Milano Assicurazioni S.p.A.	9,164	29.561	29.561
Luxembourg				
ISTITUTO EUROPEO DI ONCOLOGIA SRL	Fondiarìa-SAI S.p.A.	10,186,526	12.642	14.372
Italy	Milano Assicurazioni S.p.A.	1,394,536	1.731	
ITAL H&R SRL	Italresidence s.r.l.	50,000	100.000	100.000
Italy				
ITALRESIDENCE SRL	Atahotels	100,000	100.000	100.000
Italy	Compagnia italiana Aziende Turistiche Alberghiere S.p.A.			
LIGURIA SOCIETÀ DI ASSICURAZIONI SPA	Milano Assicurazioni S.p.A.	36,788,443	99.969	99.969
Italy				
LIGURIA VITA SPA	Liguria Società di Assicurazioni S.p.A.	1,200,000	100.000	100.000
Italy				
MARINA DI LOANO SPA	Immobiliare Fondiarìa-SAI s.r.l.	5,536	100.000	100.000
Italy				
MASACCIO SRL	Immobiliare Fondiarìa-SAI s.r.l.	10,000	100.000	100.000
Italy				
MB VENTURE CAPITAL FUND I PARTECIP.	Fondiarìa-SAI S.p.A.	15,000	30.000	30.000

COMPANY D NV					
Holland					
MERIDIANO AURORA SRL	Fondiaria-SAI S.p.A.	10,000	100.000	100.000	
Italy					
MERIDIANO BELLARMINO SRL	Immobiliare Fondiaria-SAI s.r.l.	10,000	100.000	100.000	
Italy					
MERIDIANO BRUZZANO SRL	Immobiliare Fondiaria-SAI s.r.l.	10,000	100.000	100.000	
Italy					
MERIDIANO PRIMO SRL	Immobiliare Fondiaria-SAI s.r.l.	10,000	100.000	100.000	
Italy					
MERIDIANO SECONDO SRL	Immobiliare Fondiaria-SAI s.r.l.	10,000	100.000	100.000	
Italy					
METROPOLIS SPA	Immobiliare Milano Assicurazioni s.r.l.	332,976	29.730	29.730	
Italy					
MIZAR SRL	Immobiliare Fondiaria-SAI s.r.l.	10,329	100.000	100.000	
Italy					
NUOVA IMPRESA EDIFICATRICE MODERNA SRL	Immobiliare Fondiaria-SAI s.r.l.	10,329	100.000	100.000	
Italy					
NUOVE INIZIATIVE TOSCANE SRL Italia	Fondiaria-SAI S.p.A.	48,440,000	96.880	100.000	
	Milano Assicurazioni S.p.A.	1,560,000	3.120		
OPEN MIND INVESTMENTS SCA SICAR	Fondiaria-SAI S.p.A.	416,259	73.599	73.599	
Luxembourg					

Name of Company	Company holding	Voting Shares held	% held	% Total
<b>Registered offices</b>				
PENTA DOMUS SPA	Immobiliare Milano Assicurazioni s.r.l.	24,000	20.000	20.000
Italy				
PONTORMO SRL	Immobiliare Fondiaria -SAI s.r.l.	50,000	100.000	100.000
Italy				
POPOLARE VITA SPA	Fondiaria-SAI S.p.A.	10,711,003	24.388	50.000
Italy	Sai Holding Italia S.p.A.	11,248,998	25.612	
PROGETTO ALFIERE SPA	Immobiliare Fondiaria -SAI s.r.l.	22,800	19.000	19.000
Italy				
PROGETTO BICOCCA LA PIAZZA SRL in liquidazione	Immobiliare Fondiaria -SAI s.r.l.	2,332,332	74.000	74.000
Italy				
PRONTO ASSISTANCE SERVIZI SCARL	BancaSai S.p.A.	516	0.100	100.000
Italy	Dialogo Assicurazioni S.p.A.	123,840	24.000	
	Fondiaria-SAI S.p.A.	192,984	37.400	
	Incontra Assicurazioni S.p.A.	774	0.150	
	Liguria Società di Assicurazioni S.p.A.	11,352	2.200	
	Milano Assicurazioni S.p.A.	144,480	28.000	
	Pronto Assistance S.p.A.	39,732	7.700	
	Sistemi Sanitari S.c.r.l.	516	0.100	
	Systema Compagnia di Assicurazioni S.p.A.	1,806	0.350	
PRONTO ASSISTANCE SPA	Fondiaria-SAI S.p.A.	2,500,000	100.000	100.000
Italy				
QUINTOGEST SPA	Fondiaria-SAI S.p.A.	980,000	49.000	49.000
Italy				

RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO. SRL	Immobiliare Fondiaria -SAI s.r.l.	10,329	100.000	100.000
Italy				
SAI HOLDING ITALIA SPA	Fondiaria-SAI S.p.A.	50,000,000	100.000	100.000
Italy				
SAI INVESTIMENTI SGR SPA	Fondiaria-SAI S.p.A.	1,995,930	51.000	80.000
Italy	Milano Assicurazioni S.p.A.	1,134,940	29.000	
SAI MERCATI MOBILIARI – SOC. DI INTERMEDIAZIONE MOBILIARE SPA	Fondiaria-SAI S.p.A.	20,000,000	100.000	100.000
Italy				
SAIAGRICOLA SPA -	Fondiaria-SAI S.p.A.	60,722,765	92.004	100.000
Società Agricola	Milano Assicurazioni S.p.A.	4,490,641	6.804	
Italy	Pronto Assistance S.p.A.	786,594	1.192	
SAIFIN SAIFINANZIARIA SPA	Fondiaria-SAI S.p.A.	102,258,000	100.000	100.000
Italy				
SAILUX S.A.	Finsai International S.A.	10	0.000	100.000
Luxembourg	Saifin Saifinanziaria S.p.A.	9,387,800	99.999	
SAINT GEORGE CAPITAL MANAGEMENT S.A.	Saifin Saifinanziaria S.p.A.	30,000	100.000	100.000
Switzerland				
SAINTERNATIONAL S.A.	Fondiaria-SAI S.p.A.	15,400,000	100.000	100.000
Luxembourg				
SANTA MARIA DEL FICO SRL	Saiagricola S.p.A. – Società Agricola	78,000	100.000	100.000
Italy				

Name of Company	Company holding	Voting Shares held	% held	% Total
<b>Registered offices</b>				
SCONTOFIN S.A.	Sailux S.A.	950	19.000	19.000
Luxembourg				
SERVICE GRUPPO FONDIARIA-SAI SRL	Fondiarìa-SAI S.p.A.	140,000	70.000	100.000
Italy	Milano Assicurazioni S.p.A.	60,000	30.000	
SERVIZI IMM. MARTINELLI SPA	Immobiliare Milano Assicurazioni s.r.l.	200	20.000	20.000
Italy				
SIAT - SOC. ITALIANA ASS.NI E RIASSICURAZIONI SPA	Sai Holding Italia S.p.A.	35,983,610	94.694	94.694
Italy				
SIM ETOILE S.A.S	Fondiarìa-SAI S.p.A.	200,002	100.000	100.000
France				
SINTESI SECONDA SRL	Immobiliare Milano Assicurazioni s.r.l.	10,400	100.000	100.000
Italy				
SISTEMI SANITARI SCRL	Fondiarìa-SAI S.p.A.	780,987	78.099	100.000
Italy	Gruppo Fondiarìa-SAI Servizi S.c.r.l.	219,013	21.901	
SOAIMPIANTI-ORGANISMI	Fondiarìa-SAI S.p.A.	18,307	21.639	21.639
DI ATTESTAZIONE SRL in liq.				
Italy				
SOCIETÀ EDILIZIA IMMOBILIARE SARDA – S.E.I.S. SPA – Italia	Immobiliare Fondiarìa-SAI s.r.l.	387,500	51.667	51.667
SOCIETÀ FINANZIARIA PER LE GEST.ASS.VE SRL in liq.	Fondiarìa-SAI S.p.A.	13,931,807	14.907	22.410
Italy	Milano Assicurazioni S.p.A.	7,012,859	7.504	
SOCIETÀ FUNIVIE DEL PICCOLO	Immobiliare Fondiarìa-SAI s.r.l.	1,441,691	27.384	27.384



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S. BERNARDO SPA - Italia

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SOFINPA SPA	Saifin Saifinanziaria S.p.A.	2,400,000	30.000	30.000
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Italy

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SOGEINT SRL	Milano Assicurazioni S.p.A.	100,000	100.000	100.000
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Italy

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SRP ASSET MANAGEMENT S.A.	Sainternational S.A.	1,000	100.000	100.000
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Switzerland

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STIMMA SRL	Fondiaria-SAI S.p.A.	10,000	100.000	100.000
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Italy

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SVILUPPO CENTRO EST SRL	Immobiliare Milano Assicurazioni s.r.l.	4,000	40.000	40.000
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Italy

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SYSTEMA COMPAGNIA DI ASSICURAZIONI SPA	Milano Assicurazioni S.p.A.	10,000	100.000	100.000
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Italy

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THE LAWRENCE LIFE ASSURANCE COMPANY LTD	Popolare Vita S.p.A.	802,886	100.000	100.000
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Ireland

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THE LAWRENCE RE IRELAND LTD Irlanda	Fondiaria-SAI Nederland BV	635,000	100.000	100.000
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TOUR EXECUTIVE SRL	Atahotels	118,300	100.000	100.000
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Italy

Compagnia italiana Aziende Turistiche Alberghiere S.p.A.

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TRENNO OVEST SRL	Immobiliare Fondiaria-SAI s.r.l.	10,000	100.000	100.000
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Italy

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Company name	Company holding	Voting Shares held	% held	% Total
<b>Registered offices</b>				
UFFICIO CENTRALE ITALIANO SCARL	Dialogo Assicurazioni S.p.A.	1	0.000	25.518
Italy	Fondiarìa-SAI S.p.A.	141,358	14.136	
	Incontra Assicurazioni S.p.A.	24	0.002	
	Liguria Società di Assicurazioni S.p.A.	3,093	0.309	
	Milano Assicurazioni S.p.A.	109,752	10.975	
	SIAT – Società italiana Assicurazioni e Riassicurazioni S.p.A.	948	0.095	
	Systema Compagnia di Assicurazioni S.p.A.	2	0.000	
VALORE IMMOBILIARE SRL	Milano Assicurazioni S.p.A.	5,000	50.000	50.000
Italy				
VILLA RAGIONIERI SRL	Fondiarìa-SAI S.p.A.	150,000	100.000	100.000
Italy				
WAVE TECHNOLOGIES SRL	Fondiarìa-SAI S.p.A.	14,925	15.000	15.000
Italy				

**SHAREHOLDERS' EQUITY MOVEMENTS FOR THE YEAR ENDED 31.12.2011**

(Euro)	Share capital	Legal reserve	Share premium reserve	Share premium reserve for disposal of option rights not exercised	Extraordinary reserve	Merger gains reserve	Revaluation reserve on securities	Reserve as per art. 10 Law 904 of 16/12/77	Revaluation reserve as per Law 72 of 19/3/83	Reserve as per art. 26 Law 413 of 30/12/91	dividend adjustment reserve	Treasury shares undistributable reserve	Undistrib. Reserve holding company shares Leg. Decree 315/94	Reserve for purchase of treasury shares	Reserve for purchase holding company's share	Reserve 742/1986	Merger surplus	Net profit/(loss) for the year
<b>Balance at December 31, 2010</b>	167 043 712	35 536 164	209 947 271	4 293 634	805 409 360	422 045	58 029 099	6 943 641	38 214 686	96 837 507	2 852 521	20 245 120	14 107 149	3 750 000	750 000	113 213 575	881 293 606	-636 407 745
<b>Allocation of 2009 profit, as per Shareholders' AGM:</b>																		
Legal reserve																		
Extraordinary reserve					-620 299 192													620 299 192
Board of Directors																		
Executive Committee																		
Dividends																		
<b>Change from share capital increase:</b>																		
Share Capital	327 687 424																	
Share premium reserve			121 282 490															
Reserve for share capital increase				269 900														
<b>Merger adjustments:</b>																		
Merger surplus																	-16 108 553	16 108 553
Share capital increase																		
<b>Other changes:</b>																		
Cancellation of treasury shares																		
Transfer from extraordinary reserve to/from reserve for treasury shares to purchase					3 750 000									-3 750 000				
Transfer from extraordinary reserve to/from undistributable reserve for treasury shares					-2 500 000									2 500 000				
Transfer from extraordinary reserve to/from reserve for parent shares to purchase					750 000										-750 000			
Transfer from extraordinary reserve to/from undistributable reserve for parent shares					-500 000										500 000			
Net profit/(loss) 2011													-11 818 313					-1 020 368 450
<b>BALANCE AT DECEMBER 31, 2011</b>	<b>494 731 136</b>	<b>35 536 164</b>	<b>331 229 761</b>	<b>4 563 535</b>	<b>186 610 168</b>	<b>422 045</b>	<b>58 029 099</b>	<b>6 943 641</b>	<b>38 214 686</b>	<b>96 837 507</b>	<b>2 852 521</b>	<b>20 245 120</b>	<b>2 288 836</b>	<b>2 500 000</b>	<b>500 000</b>	<b>113 213 575</b>	<b>865 185 053</b>	<b>-1 020 368 450</b>

**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 12/31/11	Revaluations made			
	Book value of property held revalued	Monetary revaluations	Economic revaluations	Law 30/12/91 No. 413	TOTAL
Property used for business activities	4,874,068	99,106	1,364,038	894,647	2,357,791
Property used by third parties	607,947,972	12,745,992	82,030,182	28,253,406	123,029,580
Agricultural holdings	3,227,009	-	-	83,026	83,026
Shareholdings in Italian companies and entities: - listed	1,433,505,886	2,320,494	139,275,957	-	141,596,451
Shareholdings in Italian companies and entities: - non-listed	173,322,474	-	65,213,000	-	65,213,000
Shareholdings in Foreign	126,313,722	5,813,909	3,986,277	-	9,800,186

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companies and entities:

- non-listed

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2,349,191,131	20,979,501	291,869,454	29,231,079	342,080,034
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## Property owned at 31/12/2011 – Changes in the year

		Situation at 31/12/2010	Purchases and charges	Sales and decreases	Total	Situation at 31/12/2011	
						Used in operations	Leased third parties Residential
BUILDINGS							
CALENZANO	VIA DEGLI OLMI, 7	15,949,856		4,843,630	11,106,226	11,106,226	
CAMOGLI	FABBRICATI - VIA GAGGINI,1	98,349	4,217		102,566	27,003	75,563
	VIA GAGGINI,1 (HOTEL KULM)	12,827,510			12,827,510	12,827,510	
	VIA ROMANA 215	279,340			279,340		279,340
CASTEL MAGGIORE	VIA SERENARI - LOCALITA' SALICETO	1,609,667		1,609,667			
FERRARA	C.SO ERCOLE, 1', 6A	1,462,773			1,462,773	1,462,773	
FIRENZE	P.ZZA LIBERTA', 13	13,619,171			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	11,219,794	219,674		11,439,468	5,921,964	5,517,504
	P.ZZA LIBERTA', 9-11	9,582,649			9,582,649	9,582,649	
	PIAZZA DELLA REPUBBLICA, 6	62,979,245			62,979,245	61,773,138	1,206,107
	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	9,665		2,971,810	1,637,857	1,333,953
	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,8	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	4,910,651	116,261	878,962	4,147,950	421,437	3,726,513
	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	2,473,224	306,635		2,779,859		2,779,859
	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	171,097	1,405,738

## Property owned at 31/12/2011 – Changes in the year

		Situation at 31/12/2010	Purchases and charges	Sales and decreases	Total	Situation at 31/12/2011 Used in operations	Leased third parties Residential
	VIA VITTORIO EMANUELE, 26	1,766,186			1,766,186		1,766,186
	V.LE GRAMSCI, 63	4,775,454			4,775,454	1,050,742	3,724,712
	V.LE LAVAGNINI, 3-5	1,933,255			1,933,255		1,933,255
	V.LE MATTEOTTI, 14-16-18	22,806,529		938,301	21,868,228	21,868,228	
	V.LE MATTEOTTI, 50	3,721,868	1,005,597		4,727,465	1,099,411	3,628,054
	V.LE MATTEOTTI, 52	7,429,403	3,370	1,141,008	6,291,765	6,291,765	
	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	4,608,824	3,672		4,612,496	18,844	4,593,652
	VIA SALVAGNOLI 4/6	9,138,212		980,212	8,158,000	8,158,000	
GENOVA	P.ZA FERRARI, 1	32,554,969			32,554,969	32,554,969	
GIARDINI TAORMINA	VIA RECANATI,26	63,059,003	387,613	387,613	63,059,003	63,059,003	
IVREA	VIALE MONTE STELLA 6	562,102			562,102	435,780	126,322
MILANO	VIA FIORI CHIARI 24/A (AREA MADONNINA)	12,390,606		1,513,331	10,877,275	3,773,644	7,103,631
	AREA S. SAN GIOVANNI - VIA MILANESE 300	42,326,170			42,326,170	42,326,170	
	P.ZA VELASCA 5	85,714,613	814,289		86,528,902	51,472,256	35,056,646
	V.OLDOFREDI 51	1,072,292			1,072,292	18,970	1,053,322
	VIA PEROTTI, 2	2,595,939			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	22,290,847	117,509		22,408,356	22,408,356	
	FABBRICATI LOCALITA' BRUZZANO	924,341			924,341	924,341	
	VIA MELZI D'ERIL 34	28,364,798		8,510,798	19,854,000	19,854,000	
	VIALE BOEZIO 20	21,235,896	111,280		21,347,176	21,347,176	
	TORRE GALFA - VIA FARA 41	57,179,024		6,679,024	50,500,000	50,500,000	
	V.MONTI 21	11,028,714		44,888	10,983,826	4,411,922	6,571,904

## Property owned at 31/12/2011 – Changes in the year

		Situation at 31/12/2010	Purchases and charges	Sales and decreases	Total	Situation at 31/12/2011	
						Used in operations	Leased third parties Residential
MONCALIERI	STR. FERRERO DI CAMBIANO 20	7,302,615	18,487	662,393	6,658,709	5,602,557	1,056,152
	V.POSTIGLIONE,18 -V. VITTIME DEL VAJONT, 4	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	7,589,779	34,858		7,624,637	115,381	7,509,256
PRATO	V. SIMINTENDI, 20	5,587,521		348,956	5,238,565	5,238,565	
ROMA	V.CARLO EMANUELE I, 7	484,935			484,935	484,935	
	VIA GOVONI 24/43	49,977,990	1,138,776		51,116,766		51,116,766
	CASTELGIUBILEO-V.CAMERATA P./APIRO	36,680,281	157,022	36,837,303			
S.MARHERITA LIGURE	VIA DOLCINA 18	185,627			185,627		11,713
SELARGIUS (CA)	V.PERETTI	1,619,734			1,619,734	1,564,929	54,805
TORINO	C.DANTE 119	3,600,561	17,753		3,618,314	1,069,579	2,548,735
	C.G.GALILEI 12-14	35,417,442	1,296,166		36,713,608	36,713,608	
	C.MATTEOTTI 51/V.S.ANTONIO DA PAD.2	5,159,861	107,669		5,267,530	2,888,173	2,379,357
	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	10,151,448			10,151,448	10,151,448	
	V.ARSENALE 5	10,560,701			10,560,701	10,560,701	
	V.GOBETTI 19/23 - GRAMSCI 15 - SOLERI 2 (FABB. D)	5,382,120	52,977		5,435,097	1,807,935	3,627,162
	V.GOBETTI,15 (HOTEL P.DI PIEMONTE)	40,474,134	3,971	5,201,971	35,276,134	35,276,134	
TRIESTE	V.GROSSI 29 - V. DA VINCI 21 - V. CELLINI 6	7,087,912	58,520		7,146,432	175,117	6,971,315
	VIA CARDUCCI, 29	5,179,842	14,538		5,194,380	3,746,449	1,447,931
	VIALE XX SETTEMBRE, 89	2,516,379			2,516,379	2,516,379	
VARESE	VIA ALBANI,41	52,800,000		15,953,000	36,847,000	36,847,000	
VIAREGGIO	V.LE MANIN, 12	6,286,226	241		6,286,467	481,327	5,805,140



## Property owned at 31/12/2011 – Changes in the year

		Situation at 31/12/2010	Purchases and charges	Sales and decreases	Total	Situation at 31/12/2011		
						Used in operations	Leased third parties	Residential
CONDOMINIUMS								
		192,026,718	316,706	10,183,777	182,159,647	185,138	147,916,725	34,057,784
		1,187,282,279	6,317,464	96,714,834	1,096,884,907	12,100,602	835,523,075	249,261,231
LAND								
CAMOGLI	LAND IN CAMOGLI	58,420			58,420		58,420	
FIRENZE	VIA S. LEONARDO, 38-40-42	1,374,056			1,374,056		1,374,056	
MILANO	LOCALITA' BRUZZANO	13,918,524		1,322,799	12,595,725		12,595,725	
MODENA	VIA BUONARROTI	20,312			20,312		20,312	
ROMA	TOR CARBONE	7,747			7,747		7,747	
S.MARGHERITA LIGURE	LAND IN S. MARGHERITA LIGURE	46,778			46,778		46,778	
MAIORCA	TERRENO ALCUDIA	10,818			10,818		10,818	
SANREMO	(EX MONTEBIGNONE)	22,159			22,159		22,159	
AGRICULTURAL HOLDINGS								
MONTEPULCIANO (SI)	FATTORIA DEL CERRO	3,227,009			3,227,009		3,227,009	
OTHER PROPERTY RIGHTS								
FIRENZE	POSTI AUTO PARTERRE	2,629,553			2,629,553	2,629,553		
PIEVE EMANUELE	VIA DEI PINI LOC. VIQUARTERIO	2,642,976	42,024		2,685,000		2,685,000	
ASSETS IN PROGRESS AND ADVANCES								
		2,808,481			2,808,481		2,808,481	
TOTAL		1,214,049,112	6,359,488	98,037,633	1,122,370,966	14,730,155	858,379,580	249,261,231

# Buildings owned at 31/12/2011

Situation at 31/12/2011

		Total gross	Depreciation provision	Net value	Current value	Difference
BUILDINGS						
CALENZANO	VIA DEGLI OLMI, 7	11,106,226	1,971,226	9,135,000	9,135,000	
CAMOGLI	FABBRICATI - VIA GAGGINI,1	102,566	3,428	99,138	108,000	8,862
	VIA GAGGINI,1 (HOTEL KULM)	12,827,510	1,781,628	11,045,881	10,842,000	-203,881
	VIA ROMANA 215	279,340		279,340	266,000	-13,340
FERRARA	C.SO ERCOLE, 1', 6A	1,462,773	23,411	1,439,362	1,589,000	149,638
FIRENZE	P.ZZA LIBERTA', 13	13,619,171	1,034,331	12,584,840	14,958,000	2,373,160
	P.ZZA LIBERTA', 1N-1-2R	1,920,622	33,437	1,887,185	3,216,000	1,328,815
	P.ZZA LIBERTA', 2- V. S. GALLO, 123	11,439,468	988,381	10,451,087	14,976,000	4,524,913
	P.ZZA LIBERTA', 9-11	9,582,649	455,053	9,127,596	12,054,000	2,926,404
	PIAZZA DELLA REPUBBLICA, 6	62,979,245	613,979	62,365,266	69,172,000	6,806,734
	VIA BARACCA, 18	1,907,538	27,251	1,880,287	1,961,000	80,713
	VIA BENIVIENI, 1-3	4,604,149	5,847	4,598,302	6,916,000	2,317,698
	V. CAMPO D'ARRIGO, 134	2,971,810	15,426	2,956,384	2,817,000	-139,384
	VIA CAVOUR, 82-84	9,919,401	85,815	9,833,586	10,556,000	722,414
	V. L.IL MAGNIFICO, 2-4-6	8,509,273	1,256,937	7,252,336	8,067,000	814,664
	V.LANDINI/V.CATALANI,8	3,284,042	326,944	2,957,098	3,019,000	61,902
	VIA LEONE X, 3	2,583,625	34,933	2,548,692	2,768,000	219,308

# Buildings owned at 31/12/2011

## Situation at 31/12/2011

	Total gross	Depreciation provision	Net value	Current value	Difference
VIA PALCHETTI 1/3/5	4,849,686	8,642	4,841,044	8,408,000	3,566,956
VIA PIAN DEI GIULLARI, 69/71	3,136,426		3,136,426	7,879,000	4,742,574
V. PIER CAPPONI, 99	701,236	4,236	697,000	1,007,000	310,000
VIA RICASOLI, 48	4,147,950	84,950	4,063,000	4,063,000	
VIA S. REPARATA, 97	3,570,977	17,066	3,553,911	5,797,000	2,243,089
VIA S. LEONARDO 32-34-36A	3,643,750	1,298	3,642,452	4,839,000	1,196,548
VIA S. LEONARDO, 44	2,779,859		2,779,859	3,817,000	1,037,141
VIA SAN LEONARDO, 46-48-6/R	3,332,169		3,332,169	6,178,000	2,845,831
VIA VANNUCCI, 23	1,576,835	11,664	1,565,171	1,990,000	424,829
VIA VITTORIO EMANUELE, 26	1,766,186	168	1,766,018	2,430,000	663,982
V.LE GRAMSCI, 63	4,775,454	107,086	4,668,368	5,545,000	876,632
V.LE LAVAGNINI, 3-5	1,933,255	43,117	1,890,138	1,846,000	-44,138
V.LE MATTEOTTI, 14-16-18	21,868,228	393,228	21,475,000	21,475,000	
V.LE MATTEOTTI, 50	4,727,465	8,068	4,719,397	4,889,000	169,603
V.LE MATTEOTTI, 52	6,291,765	192,765	6,099,000	6,099,000	
V.LE MATTEOTTI, 54	3,948,136	8,914	3,939,222	6,329,000	2,389,778
V.LE MATTEOTTI, 56	2,336,778		2,336,778	3,356,000	1,019,222
V. MATTEOTTI, 60	9,902,389	75,033	9,827,356	12,394,000	2,566,644
V.LE MATTEOTTI, 64	4,321,643	10,873	4,310,770	6,407,000	2,096,230
V.LE S. LAVAGNINI, 7	4,612,496	2,940	4,609,556	4,900,000	290,444

# Buildings owned at 31/12/2011

## Situation at 31/12/2011

		Total gross	Depreciation provision	Net value	Current value	Difference
	VIA SALVAGNOLI 4/6	8,158,000		8,158,000	8,158,000	
GENOVA	P.ZA FERRARI, 1	32,554,969	6,589,343	25,965,626	28,011,000	2,045,374
GIARDINI NAXOS	VIA RECANATI,26	63,059,003	35,903	63,023,100	63,023,100	
IVREA	VIALE MONTE STELLA 6	562,102		562,102	709,610	147,508
MILANO	VIA FIORI CHIARI 24/A (AREA MADONNINA)	10,877,275	33,818	10,843,457	15,740,000	4,896,543
	AREA SESTO SAN GIOVANNI - VIA MILANESE 300	42,326,170	618,160	41,708,010	44,354,000	2,645,990
	P.ZA VELASCA 5	86,528,902	3,055,801	83,473,101	103,882,720	20,409,619
	V.OLDOFREDI 51	1,072,292	59,864	1,012,428	3,614,510	2,602,082
	VIA PEROTTI, 2	2,595,939	31,269	2,564,670	3,623,000	1,058,330
	V. TRECCANI DEGLI ALFIERI 16-26	18,390,537	682	18,389,855	31,708,040	13,318,185
	VIALE MONZA 139	22,408,356		22,408,356	25,332,740	2,924,384
	FABBRICATI LOCALITA' BRUZZANO	924,341		924,341	836,275	-88,066
	VIA MELZI D'ERIL 34	19,854,000		19,854,000	19,854,000	
	VIALE BOEZIO 20	21,347,176	3,059,204	18,287,972	19,091,000	803,028
	TORRE GALFA - VIA FARA 41	50,500,000		50,500,000	50,500,000	
	V.MONTI 21	10,983,826	1,041,290	9,942,536	14,387,420	4,444,884
MONCALIERI	STR. FERRERO DI CAMBIANO, 20	6,658,708	1,023,708	5,635,000	5,635,000	
	V.POSTIGLIONE,18 -V. VITTIME DEL VAJONT, 4	5,557,609	3,088,269	2,469,340	6,988,350	4,519,010
ORIGGIO	VIALE ITALIA 6	684,853		684,853	2,404,000	1,719,147
PIEVE EMANUELE	V.DELLE ROSE 6	7,624,637	10	7,624,627	12,471,090	4,846,463

# Buildings owned at 31/12/2011

**Situation at 31/12/2011**

		<b>Total gross</b>	<b>Depreciation provision</b>	<b>Net value</b>	<b>Current value</b>	<b>Difference</b>
PRATO	V. SIMINTENDI, 20	5,238,565	78,565	5,160,000	5,160,000	
ROMA	V.CARLO EMANUELE I' 7	484,935		484,935	969,480	484,545
	VIA GOVONI 24/43	51,116,766		51,116,766	61,185,000	10,068,234
S.MARHERITA LIGURE	VIA DOLCINA 18	185,627	27,844	157,783	377,000	219,217
SELARGIUS (CA)	V.PERETTI	1,619,734	725,744	893,990	1,161,140	267,150
TORINO	C.DANTE 119	3,618,314	33,413	3,584,901	10,415,430	6,830,529
	C.G.GALILEI 12-14	36,713,608	10,507,491	26,206,117	60,976,600	34,770,483
	C.MATTEOTTI 51/V.S.ANTONIO DA PAD.2	5,267,530	597,553	4,669,977	15,554,120	10,884,143
	C. V. EMANUELE II 48	23,407,768		23,407,768	24,964,770	1,557,002
	P.CASTELLO 153/V.GARIBALDI 1	1,667,589		1,667,589	6,660,000	4,992,411
	PIAZZA GUALA, 143	10,151,448	1,025,055	9,126,394	10,954,000	1,827,606
	V.ARSENALE 5	10,560,701	663,941	9,896,760	10,240,000	343,240
	V.GOBETTI 19/23 - GRAMSCI 15 - SOLERI 2 ( FABB. I	5,435,097	12,406	5,422,691	23,610,310	18,187,619
	V.GOBETTI,15 (HOTEL P.DI PIEMONTE)	35,276,134	2,474,134	32,802,000	32,802,000	
	V.GROSSI 29 - V. DA VINCI 21 - V. CELLINI 6	7,146,432	119	7,146,313	21,687,590	14,541,277
TRIESTE	VIA CARDUCCI 29	5,194,380		5,194,380	6,649,600	1,455,220
	VIALE XX SETTEMBRE 89	2,516,379	189,423	2,326,956	2,195,000	-131,956
VARESE	VIA ALBANI,41	36,847,000		36,847,000	36,847,000	
VIAREGGIO	V.LE MANIN, 12	6,286,467	21,211	6,265,256	6,758,000	492,744

# Buildings owned at 31/12/2011

## Situation at 31/12/2011

		Total gross	Depreciation provision	Net value	Current value	Difference
CONDOMINIUM		182,159,646	10,884,455	171,275,191	250,060,770	78,785,579
		1,096,884,907	55,506,750	1,041,378,155	1,341,619,665	300,241,511
OTHER BUILDINGS						
LAND						
CAMOGLI	LANDS IN CAMOGLI	58,420		58,420	277,000	218,580
FIRENZE	VIA S. LEONARDO, 38-40-42	1,374,056		1,374,056	3,279,000	1,904,944
MILANO	LOCALITA' BRUZZANO	12,595,725		12,595,725	12,595,725	
MODENA	VIA BUONARROTI	20,312		20,312	20,000	-312
ROMA	TOR CARBONE	7,747		7,747	21,000	13,253
S.MARGHERITA LIGURE	LANDS IN S. MARGHERITA LIGURE	46,778		46,778	72,000	25,222
MAIORCA	TERRENO ALCUDIA	10,818		10,818	10,818	
SANREMO	(EX MONTEBIGNONE)	22,159		22,159	40,000	17,841
AGRICULTURAL HOLDINGS						
MONTEPULCIANO (SI)	FATTORIA DEL CERRO	3,227,009	3,661	3,223,348	24,241,601	21,018,253

# Buildings owned at 31/12/2011

		Situation at 31/12/2011				
		Total gross	Depreciation provision	Net value	Current value	Difference
OTHER PROPERTY RIGHTS						
FIRENZE	VIA MADONNINA DELLA TOSSE,9 (POSTI AUTO)	2,629,553	350,081	2,279,472	3,276,000	996,528
PIEVE EMANUELE	VIA DEI PINI LOC. VIQUARTERIO	2,685,000		2,685,000	2,460,000	-225,000
ASSETS IN PROGRESS AND ADVANCES		2,808,481		2,808,481	3,360,000	551,519
TOTAL		1,122,370,966	55,860,498	1,066,510,467	1,391,272,809	324,762,343

