

PREMAFIN FINANZIARIA S.p.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2009

PREMAFIN FINANZIARIA S.p.A.
Holding di Partecipazioni

STATEMENT OF FINANCIAL POSITION
INCOME STATEMENT

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2009

(Values in €thousands)

STATEMENT OF FINANCIAL POSITION

ASSETS	at 31.12.2009	at 31.12.2008
1 INTANGIBLE ASSETS	1.960.296	1.963.678
1.1 Goodwill	1.656.682	1.704.396
1.2 Other intangible assets	303.614	259.282
2 PROPERTY, PLANT AND EQUIPMENT	934.680	1.248.146
2.1 Property	837.294	1.061.594
2.2 Other property, plant and equipment	97.386	186.552
3 TECHNICAL RESERVES ATTRIBUTABLE TO REINSURERS	870.300	833.548
4 INVESTMENTS	34.210.479	33.428.120
4.1 Investment property	2.599.955	2.483.077
4.2 Equity investments in subsidiaries, associates and joint ventures	341.999	252.152
4.3 Investments held to maturity	808.473	845.789
4.4 Loans and receivables	2.908.010	1.791.420
4.5 Financial assets available-for-sale	18.896.934	19.975.007
4.6 Financial assets at fair value through profit or loss	8.655.108	8.080.675
5 OTHER RECEIVABLES	2.423.474	2.521.304
5.1 Receivables from direct insurance operations	1.817.234	1.861.642
5.2 Receivables from reinsurance operations	133.333	138.325
5.3 Other receivables	472.907	521.337
6 OTHER ASSETS	4.923.669	947.501
6.1 Non-current assets or disposal group classified as held for sale	4.106.065	15.211
6.2 Deferred acquisition costs	142.111	226.969
6.3 Deferred tax assets	174.234	117.369
6.4 Current tax assets	304.769	351.832
6.5 Other assets	196.490	236.120
7 CASH AND CASH EQUIVALENTS	591.245	776.783
TOTAL ASSETS	45.914.143	41.719.080

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(Values in €thousands)

STATEMENT OF FINANCIAL POSITION

SHAREHOLDERS' EQUITY AND LIABILITIES	at 31.12.2009	at 31.12.2008
1 SHAREHOLDERS' EQUITY	3.413.899	3.581.860
1.1 pertaining to the Group	633.345	678.854
1.1.1 Share capital	410.340	410.340
1.1.2 Other equity instruments	-	-
1.1.3 Capital reserves	21	21
1.1.4 Retained earnings and other capital reserves	393.006	395.807
1.1.5 (Treasury shares)	(43.183)	(43.183)
1.1.6 Translation reserve	(1.275)	1.323
1.1.7 Profit or loss on financial assets available-for-sale	(2.204)	(106.110)
1.1.8 Other unrealized gains and loss recorded directly through equity	11.057	14.022
1.1.9 Profit (loss) for the year pertaining to the Group	(134.417)	6.634
1.2 Shareholders' equity attributable to minority interest	2.780.554	2.903.006
1.2.1 Minority interest capital and reserves	3.088.469	3.140.774
1.2.2 Unrealised gains and losses through equity	(29.518)	(299.945)
1.2.3 Profit (loss) for the year pertaining to minority interests	(278.397)	62.177
2 PROVISIONS	322.038	487.751
3 TECHNICAL RESERVES	31.718.050	29.321.536
4 FINANCIAL LIABILITIES	5.102.503	6.630.756
4.1 Financial liabilities at fair value through profit or loss	2.099.531	3.460.186
4.2 Other financial liabilities	3.002.972	3.170.570
5 PAYABLES	852.339	962.379
5.1 Payables from direct insurance operations	135.466	120.625
5.2 Payables from reinsurance operations	99.010	89.170
5.3 Other payables	617.863	752.584
6 OTHER LIABILITIES	4.505.314	734.798
Liabilities directly associated with non-current assets or disposal group classified as held for sale	3.873.998	-
6.1	3.873.998	-
6.2 Deferred tax liabilities	137.761	249.586
6.3 Current tax liabilities	17.539	8.578
6.4 Other liabilities	476.016	476.634
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	45.914.143	41.719.080

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(Values in €thousands)

INCOME STATEMENT	2009	2008
1.1 Net premiums	11.888.742	11.153.553
1.1.1 Gross written premiums	12.268.043	11.493.086
1.1.2 Premiums ceded to reinsurers	(379.301)	(339.533)
1.2 Commission income	70.686	89.319
1.3 Net income from financial instruments recorded at fair value through profit or loss	900.347	(346.608)
1.4 Income from equity investments in subsidiaries, associates and joint ventures	14.212	38.062
1.5 Income from other financial instruments and investment property	1.128.931	1.417.217
1.5.1 Interest income	766.175	928.509
1.5.2 Other income	159.468	262.549
1.5.3 Realised gains	198.697	225.710
1.5.4 Unrealised gains and reversal of impairment losses	4.591	449
1.6 Other revenues	691.528	469.610
1 TOTAL REVENUES	14.694.446	12.821.153
2.1 Net charges relating to claims	(11.872.025)	(8.965.047)
2.1.2 Amounts paid and changes in technical reserves	(12.155.745)	(9.126.604)
2.1.3 Reinsurers' share	283.720	161.557
2.2 Commission expenses	(38.261)	(32.611)
2.3 Charges from equity investments in subsidiaries, associates and joint ventures	(82.926)	(7.590)
2.4 Charges from other financial instruments and investment property	(507.280)	(689.579)
2.4.1 Interest expense	(111.548)	(153.948)
2.4.2 Other charges	(65.698)	(71.354)
2.4.3 Realised losses	(110.428)	(193.203)
2.4.4 Unrealised losses and impairment losses	(219.606)	(271.074)
2.5 Operating expenses	(1.919.914)	(1.958.630)
2.5.1 Commissions and other acquisition expenses on insurance contracts	(1.458.127)	(1.478.826)
2.5.2 Investment management charges	(12.643)	(18.180)
2.5.3 Other administration expenses	(449.144)	(461.624)
2.6 Other costs	(820.352)	(1.015.005)
2 TOTAL COSTS	(15.240.758)	(12.668.462)
PROFIT (LOSS) BEFORE TAXES	(546.312)	152.691
3 INCOME TAXES	132.816	(83.880)
PROFIT/(LOSS) FOR THE YEAR BEFORE TAXES	(413.496)	68.811
4 PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	682	-
CONSOLIDATED PROFIT (LOSS)	(412.814)	68.811
of which pertaining to the Group	(134.417)	6.634
of which pertaining to minority interests	(278.397)	62.177

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(Values in €thousands)

STATEMENT OF COMPREHENSIVE INCOME	2009	2008
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	(412.814)	68.811
Change in translation reserve	(8.015)	5.625
Profit or loss on financial assets available-for-sale	379.582	(890.536)
Profit or loss on cash flow hedging instruments	(3.816)	(16.730)
Profit or loss on instruments hedging a net investment in a foreign-managed portfolio	-	-
Change in shareholders' equity of investee companies	2.613	(28.789)
Change in revaluation reserve for intangible assets	-	-
Change in revaluation reserve for property, plant and equipment	(678)	9.364
Income and expenses on non-current assets or disposal group classified as held for sale	(685)	-
Actuarial gains and losses and adjustments related to defined benefit plans	(175)	(4.695)
Other items	(56)	23.448
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	368.770	(902.313)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	(44.044)	(833.502)
of which pertaining to the Group	(36.074)	(372.680)
of which pertaining to minority interests	(7.970)	(460.822)

PREMAFIN FINANZIARIA S.p.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2009
NOTES TO THE FINANCIAL STATEMENTS

Premafin HP S.p.A. is a public limited company incorporated in Italy: the addresses of its registered office and of the locations in which its main activities are carried out are provided in the introduction to the financial statements. The main activities of the Company and of its subsidiaries are described in the Directors' Report on operations and in the section entitled "Segment Information".

These consolidated financial statements comprise, pursuant to IAS 1.8 - *Presentation of Financial Statements*, the statement of financial position, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements. They also include attachments pursuant to ISVAP Regulation 7 of 13 July 2007 and the information required by Consob, the Italian stock market regulator, pursuant to Article 9, paragraph 3 of Legislative Decree 38/2005.

The consolidated financial statements of Premafin HP S.p.A. aim to present an accounts model that meets the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS) and that takes into account the formats and instructions issued by the Supervisory Authority with Regulation 7 of 13 July 2007, as subsequently amended.

They also include additional information describing some IAS/IFRS examples that are considered best practice.

It is assumed that Premafin HP prepares the consolidated financial statements in accordance with the IAS/IFRS in continuity of application.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

With regard to the statement of changes in shareholders' equity, the attachment required by Regulation 7/07 is provided. This complies with the instructions contained in IAS 1, which provides for a free-form statement with a series of minimum requirements.

Specifically:

- the item "Profit and loss on financial assets available-for-sale" includes the effects deriving from the measurement of the related financial instruments net of those attributable to policyholders and recorded under deferred liabilities in respect of policyholders
- the "Allocation" column shows the allocation of profit for the year, the allocation of profit for the previous year to reserves, increases in share capital and other reserves, and changes in profit or loss recorded directly in equity
- the "Transfers" column in the income statement shows profit and loss previously recognised directly in equity, as stipulated by the international accounting standards
- "Other transfers" shows ordinary dividend distribution and decreases in capital and other reserves, including the acquisition of Treasury shares and the portion of profit or loss deriving from the valuation of financial assets available-for-sale attributable to policyholders as an offsetting entry to insurance liabilities.

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(Values in €millions)

STATEMENT OF CHANGES

IN SHAREHOLDERS' EQUITY

	Balance at 31.12.07	Change to closing balances	Allocation	Adjustments for reclassification to the income statement	Transfers	Balance at 31.12.08	Change to closing balances	Allocation	Adjustments for reclassification to the income statement	Transfers	Balance at 31.12.09
Share capital	410.340	-	-	-	-	410.340	-	-	-	-	410.340
Other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Shareholders' equity pertaining to the Group											
Capital reserves	-	-	21	-	-	21	-	-	-	-	21
Retained earnings and other capital reserves	272.306	-	121.778	-	1.723	395.807	-	(2.801)	-	-	393.006
(Treasury shares)	(43.176)	-	(7)	-	-	(43.183)	-	-	-	-	(43.183)
Profit (loss) for the year	139.078	-	(126.289)	-	(6.155)	6.634	-	(141.051)	-	-	(134.417)
Other components of comprehensive income	144.742	-	(208.749)	(51.512)	24.754	(90.765)	-	81.341	17.002	-	7.578
Total pertaining to the Group	923.290	-	(213.246)	(51.512)	20.322	678.854	-	(62.511)	17.002	-	633.345
Shareholders' equity pertaining to minority											
Minority capital and reserves	3.088.289	-	100.444	-	(47.959)	3.140.774	-	(52.305)	-	-	3.088.469
Profit (loss) for the year	458.832	-	(197.828)	-	(198.827)	62.177	-	(340.574)	-	-	(278.397)
Other components of comprehensive income	366.858	-	(612.146)	(119.860)	65.203	(299.945)	-	208.013	62.414	-	(29.518)
Total pertaining to minority interests	3.913.979	-	(709.530)	(119.860)	(181.583)	2.903.006	-	(184.866)	62.414	-	2.780.554
Total	4.837.269	-	(922.776)	(171.372)	(161.261)	3.581.860	-	(247.377)	79.416	-	3.413.899

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

With regard to the cash flow statement, the attachment required by Regulation 7/07 is provided. This complies with the instructions contained in IAS 7, which provides for a free-form statement with a series of minimum requirements and, for presentation of cash flows deriving from operating activities, requires either the use of the direct method, which shows the principal categories of gross receipts and payments, or the indirect method, in which the results for the period are adjusted for the effects of non-cash items, any deferrals or accruals of future operating receipts and payments and revenues or costs relating to financial cash flows deriving from investment and financial activities.

The indirect form of the cash flow statement, shown below, separately presents net liquidity deriving from operating activity and net liquidity deriving from investment and financial activity.

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CASH FLOW STATEMENT
(indirect method)

(Values in €thousands)

	at 31.12.09	at 31.12.08
Profit (loss) before taxes	(543.863)	152.690
Change in non-monetary items	4.234.645	(108.093)
Change in Non-Life unearned premium reserve	23.277	1.134
Change in claims reserve and other Non-Life technical reserves	310.595	(387.819)
Change in mathematical reserves and other Life technical reserves	3.649.380	(368.016)
Change in deferred acquisition costs	84.858	71.179
Change in provisions	(161.697)	232.927
Non-monetary income and charges from financial instruments, investment property and equity investments	47.031	88.136
Other changes	281.201	254.366
Change in receivables and payables generated by operations	(234.773)	(418.709)
Change in receivables and payables from direct insurance and reinsurance operations	(120.833)	(222.612)
Change in other receivables and payables	(113.940)	(196.097)
Income Taxes paid	(35.385)	(265.455)
Net liquidity generated/absorbed by monetary items pertaining to investment and financial activities	(2.213.134)	(571.266)
Liabilities from financial contracts issued by insurance companies	17.722	(871.339)
Payables to bank and interbank customers	376.355	49.236
Loans and receivables from bank and interbank customers	(375.231)	(67.888)
Other financial instruments at fair value through profit or loss	(2.231.980)	318.725
TOTAL NET LIQUIDITY FROM OPERATIONS	1.207.490	(1.210.833)
Net liquidity generated (absorbed) by investment property	82.815	(208.194)
Net liquidity generated (absorbed) by equity investments in subsidiaries, associates and joint ventures	(80.935)	2.212
Net liquidity generated (absorbed) by loans and receivables	49.268	(374.348)
Net liquidity generated (absorbed) by investments held to maturity	(56.000)	(845.789)
Net liquidity generated (absorbed) by financial assets available-for-sale	(743.306)	2.979.746
Net liquidity generated (absorbed) by tangible and intangible assets	(83.948)	(293.820)
Other net liquidity flows generated (absorbed) by investment	6.256	(14.720)
TOTAL NET LIQUIDITY FROM INVESTMENT	(825.850)	1.245.087
Net liquidity generated (absorbed) by equity instruments pertaining to the Group	13.971	56.404
Net liquidity generated (absorbed) by treasury shares	(19.360)	(68.697)
Distribution of dividends pertaining to the Group	(118.154)	(202.444)
Net liquidity generated (absorbed) by capital and reserves pertaining to minority interests	83.355	(356.509)
Net liquidity generated (absorbed) by subordinated liabilities and by equity instruments	-	250.000
Net liquidity generated (absorbed) by miscellaneous financial liabilities	(526.989)	339.847
TOTAL NET LIQUIDITY FROM LOANS	(567.177)	18.601
Impact of exchange differences on cash and cash equivalents	2.892	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	776.783	723.928
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(185.538)	52.855
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	591.245	776.783

PART A

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

Section 1 - Declaration of compliance with international accounting standards

Following the entry into force of Regulation (EC) No 1606 of July 2002, European companies trading on regulated markets must adopt IAS/IFRS for the preparation of consolidated financial statements, to improve comparability and transparency at European level.

The application in the European community of the international accounting standards – IAS for those issued up to 2001 and IFRS for those issued subsequently – as well as the relative interpretations – the SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) – takes place through an approval process, to ensure that the international accounting standards are compatible with European Community Directives, and is completed with the publication of the documents adopted in the Official Journal of the European Union.

Legislative framework

With regard to the principal changes or additions to EU Regulations compared with the principles adopted in previous financial statements, note in particular the changes to IAS 1 relating to the statement of other comprehensive income (OCI), to IFRS 7, relating to disclosure of the restatement of financial instruments and the hierarchy of fair value, to the application of IFRS 8 on operating segments and to IFRIC 12, relating to agreements for service concessions.

In view of the importance of the above-mentioned changes, the Supervisory Authority, with Regulation 2784 of 8 March 2010, considered it appropriate to make specific additions and amendments to the technical form of the consolidated financial statements (Reg. 7/2007), in order to provide adequate disclosure to all interested parties, ensure the uniformity of the data presented by the various companies and safeguard the comparability of the data in the interim and consolidated financial statements.

Since its 2009 half-year report, the Group has mainly provided the information required by the above standards in free form, in compliance with interpretative best practice and market practice.

With regard to Bank of Italy/CONSOB/ISVAP Document n. 4 of March 2010 issued by the Joint Coordination Board, relating to the application of IAS/IFRS criteria to the financial years 2009 and 2010 and disclosure of the impairment testing of assets, the contractual clauses of financial liabilities, debt restructuring and the “hierarchy of fair value”, the Group has always sought to provide the best financial communication possible, and to this end, in view of both the greater complexity of the financial statements and the clear scale and significance of this “particular” market situation, an in-depth review of the information provided was carried out with the aim of increasing its usefulness, while even more detailed disclosure on matters of the greatest significance was also provided. In this regard and in full compliance with the initiative

of the Bank of Italy, Consob and ISVAP, the requirements were fully consistent with the proposed disclosure.

Section 2 - General accounting principles

The financial statements were prepared on the going concern principle. There are no uncertainties, events or conditions which could give rise to doubts about capacity to continue to operate as a functioning entity.

The consolidated financial statements were prepared according to the ISVAP instructions contained in Regulation 7 of 13 July 2007.

Section 3 - Consolidation methods

CONSOLIDATION PRINCIPLES

FINANCIAL STATEMENTS USED FOR CONSOLIDATION

For the preparation of the consolidated financial statements, the statements of financial position of the companies of the Group, examined by the respective Boards of Directors, were used. These financial statements were adjusted and restated to reflect the application of the International Accounting Standards.

CONSOLIDATION PROCEDURES

- Line-by-line consolidation

The consolidated financial statements include the financial statements of the Parent Company and of the Italian and foreign companies over which Premafin HP S.p.A. can exercise control as defined by paragraph 4 of IAS 27, also taking into account potential voting rights.

Control also exists when the Parent Company owns half or less of the voting rights of an entity if it has:

- control of more than half of the voting rights under an agreement with other investors
- the power to determine the financial and operating policies of the entity under a clause in the company's by-laws, or a contract
- the power to appoint or remove the majority of the members of the Board of Directors or equivalent corporate body and control of the entity is held by that board or body
- the power to exercise the majority of the voting rights at meetings of the Board of Directors or equivalent administrative body.

Under the line-by-line consolidated method, the book value of investments is derecognised against the relative equity, with total assets and liabilities recorded as well as the income and charges of the investee companies.

The respective portions of equity and the operating result pertaining to minority shareholders are recorded under specific items in the statement of financial position and the income statement.

The differences between the book value of the investments and the respective portions of equity, which arise at the acquisition date of the investments, are attributed to the specific fixed assets identified when the higher cost reflects their fair value, and to the specific intangible assets (including, for example, the Voba (value of business acquired), the Vif (value in force), the value of the premiums and the client list), in this case also valuing minority interests and the tax effect, and, residually, to the goodwill item, in the event that the higher price paid reflects the prospective value of the operating results.

- Proportional consolidation

Also included in the consolidated financial statements are companies in which a company included in the basis of consolidation has joint control with other shareholders under a contractual agreement with these shareholders, pursuant to IAS 31. In this case, inclusion in the basis of consolidation takes place, as an alternative to the use of the equity method, according to the criterion of proportion to the equity investment held.

- Equity method consolidation

Associated companies are valued using the equity method in accordance with IAS 28. An associated company is an entity in which the Parent Company has a significant influence without being a subsidiary or a joint venture.

In accordance with IAS 28.6, significant influence is presumed when the investment held, directly or indirectly, amounts to at least 20% of voting rights at the shareholders' meeting.

Under this procedure, the consolidated financial statements only include the proportional share of the booked equity pertaining to the equity investment, including the operating result for the year, but not the individual items in the financial statements.

- Other consolidation operations

Other consolidation operations mainly consist of substantive standardisation, i.e. in relation to the valuation criteria for financial statement items, or formal standardisation, i.e. in relation to the recognition and representation criteria used to prepare the consolidated financial statements.

In particular, use of a rigid financial statement format, such as that required by the Supervisory Authority, together with use of a common reporting package for all of the Group companies, ensures compliance with the formal standardisation criteria.

With regard to substantive standardisation, the following occurred:

- derecognition of dividends paid or resolved upon by consolidated companies
- derecognition of significant inter-company transactions, both in the income statement and the statement of financial position
- derecognition of profit and loss deriving from sale/purchase transactions between Group companies and relating to equity values, including if they are consolidated under the equity method

- the necessary adjustments to standardise accounting principles within the Group
- the recognition, where applicable, of the tax effects resulting from any adjustments made to apply uniform valuation criteria to items in the financial statements or from other consolidation adjustments.

DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements close at 31 December 2009, which coincides with the closing dates of all the financial statements of the companies consolidated line-by-line.

There were therefore no problems with standardised accounting in respect of reporting periods, since the administrative periods of the financial statements included in the basis of consolidation are identical.

CURRENCY

These financial statements are expressed in Euro (€), since this is the currency in which the majority of Group transactions are carried out. Considering, therefore, the substantial uniformity of the functional currency with the presentation currency of the consolidated financial statements, the conversion of financial statements expressed in currencies other than the Euro was carried out by applying current exchange rates at year-end for items in the statement of financial position and the average rate from the start to the end of the financial year for items in the income statement.

The exchange rates used are reported, for the main currencies outside the Eurozone, in the notes to the financial statements.

The financial statements also indicate whether the amounts reported are in thousands or millions.

Section 4 - Accounting principles and valuation criteria

The accounting principles adopted are the same as those used in the previous year.

The main valuation criteria used for the main items of the financial statements are shown below:

1. INTANGIBLE ASSETS

Goodwill

In accordance with IAS 38 - *Intangible assets* and IFRS 3, goodwill, having an indefinite useful life, is no longer systematically amortised, but is subject to impairment testing on an annual basis or within a shorter period when events or circumstances indicate the existence of a permanent loss in value.

For this purpose, the Group:

- Identified the cash flow generating units relating to the goodwill recorded.
- This identification was made using criteria that take into account the minimum organisational level at which goodwill is monitored by senior management.
- Determines the recoverable amount of cash generating units as the higher of their fair value and their value in use.
- Identified the future cash flows of the cash generating units in cases where value in use has been used for goodwill.

- Appropriately discounted these cash flows in order to determine the recoverable amount of the goodwill and record any impairment.

For the business combinations and the other corporate combinations completed in 2009, see part F.

Intangible assets with indefinite useful life

Intangible assets with indefinite useful life principally consist of brands, which do not have limitations in terms of useful life from a contractual, legal, economic and competitive viewpoint. Intangible assets with indefinite useful life are not amortised but are subject to impairment testing annually, or more frequently if there is an indication that the asset may have been impaired.

Other intangible assets

In accordance with IAS 38, an intangible asset is recorded only if it can be identified and audited, its cost can be determined and it is capable of generating future economic benefits.

Consequently, set-up and formation costs and research and advertising costs are charged to the income statement when they are incurred.

Intangible assets that may be capitalised are amortised on a straight-line basis with reference to the relative useful life, with prior verification that no impairment indicators exist. There are no intangible assets generated internally.

The notes to the financial statements provide indications on the useful life of the various categories of intangible assets.

2. PROPERTY, PLANT & EQUIPMENT

This account includes buildings for use by the company and other fixed assets.

IAS 16 - *Property, plant and equipment* stipulates that, on initial recognition, buildings for use by the enterprise are recorded at cost; subsequent recognition may be made based on the cost model (paragraph 30) or based on the revaluation model (paragraph 31).

Consistent with the method used for investment property, the Group decided to use the cost principle for the valuation of buildings for both own use and investment use. See the section relating to investment property.

Also included in this category are buildings classified as inventory in the financial statements of the companies operating in the property segment. These are valued, in accordance with IAS 2, at the lower of cost (including purchase cost, transformation and other costs incurred) and net realisable value. In particular, the purchase cost of the buildings completed and the property initiatives in progress is determined based on historic cost plus costs incurred for works of an extraordinary nature, which increase the value permanently, or the purchase cost of investments allocated to the finished property up to the current value attributed to them at the time of purchase; the cost is also increased by incremental expenses and, for buildings under construction, by capitalisable expenses when specifically construction-related.

With regard to agricultural activities, for advance payments on crops, work completed was valued at the reporting date, while for the organic activities fair value was measured by comparing production values and market values.

3. TECHNICAL RESERVES – CEDED TO REINSURERS

Reserves attributable to reinsurers include the amounts determined, in accordance with the reinsurance contractual agreements, based on the gross amount of the technical reserves. In particular, the premium reserve is calculated in accordance with Article 32 of Legislative Decree 173/97 for the gross unearned premium reserve.

4. INVESTMENTS

Investment property

Investment property refers to properties held for rental purposes and/or for the appreciation of the capital invested.

IAS 40 - *Investment property*, which governs properties held by the entity for investment purposes, stipulates that at the time of acquisition of the buildings, they must be recorded at cost, while in subsequent valuations the entity can choose between cost valuation and fair value.

The fair value is the price at which the ownership of the building can be exchanged between knowledgeable and willing parties in an arm's length transaction, which is normally referred to as the market price.

Except when indicated otherwise, the Group has chosen to use cost as the valuation principle for all buildings used by the entity, held as investment property and leased to third parties.

In accordance with IAS 16, which refers to IAS 40, it was decided to:

- separate from the value of wholly owned buildings the value of the land where they are located as, having an unlimited duration, it is not subject to depreciation
- record depreciation on the net value thus determined, including by applying specific technical and economic depreciation rates determined in relation to the expected residual use of the individual buildings, represented by the structure and related plant.

Investment property is subject to impairment testing, including by comparing book value with estimated fair value, as established by independent valuation experts.

Revaluations of buildings made in previous years were not removed from the process of recalculating costs, as they are believed to help to determine amortised cost by reflecting the change in the price indices or were performed to approximate the fair value of the buildings at the revaluation date.

For buildings transferred to the Tikal R.E. closed-end property fund, fair value was instead used to replace cost, as these buildings, due to the above-mentioned transferral, are subject to systematic improvements to maximise profitability, including in the short term.

Any profit or loss deriving from derecognition of an investment property is recorded in the income statement in the year of derecognition.

Equity investments in subsidiaries, associates and joint ventures

The item “Equity investments in subsidiaries, associates and joint ventures” includes equity investments in associates valued at equity, and some equity investments in subsidiaries that the Group regards as non-material entities and which are therefore maintained at cost. As already described in the section relating to consolidation techniques, no entity over which the Group has joint control with other parties (joint ventures) is included in this item, due to application of the proportional consolidation method.

Financial Instruments

IAS 39 - *Financial instruments: recognition and measurement* stipulates that financial instruments are to be classified, not according to their nature, but based on their use within the entity’s operations. In particular, IAS 39 stipulates the following categories for financial assets:

- “financial instruments valued at fair value through profit or loss”, which includes securities held for trading in the short term and securities that, at initial recognition, have the required characteristics to be placed in this category by the entity
- “loans and receivables” which, in addition to receivables and loans in the strict sense, as defined by the Italian accounting principles, also includes debt securities that are unlisted because they are not destined for sale and whose recovery depends exclusively on the creditworthiness of the issuer
- “financial instruments held to maturity”, which includes debt securities with fixed maturity and fixed or determinable payments which the entity intends to, and is capable of, holding to maturity
- “financial instruments available-for-sale”, a residual category that includes securities that cannot be classified in the above categories.

At initial recognition, financial assets are recorded at fair value, which generally corresponds to the price paid for their acquisition. Subsequently, and again pursuant to IAS 39, different valuation criteria are applied to the individual categories. Specifically:

- Financial instruments at fair value through profit or loss, as indicated by the name of the category, are valued at fair value, with the difference between fair value and initial value recorded in the income statement.
- Financial instruments held to maturity and loans and receivables are valued at amortised cost, calculated using the effective interest rate method.
- Financial instruments available-for-sale are valued at fair value, with changes in fair value recorded directly in a separate equity reserve. This reserve is reversed to the income statement when the financial instrument is realised or in the event of an impairment loss.

In addition, ordinary sales and purchases of financial assets are recorded at the transaction’s settlement date, i.e. the date at which the Group receives or delivers the above-mentioned assets.

In addition, in accordance with IAS 32, no profit or loss deriving from sale/purchase transactions on treasury shares is recorded in the income statement, while the amount paid or received is recorded directly in equity.

This method is also adopted for the sale of shareholdings not resulting in loss of control. Thus, as long as control is maintained, profit and loss from dilution are recorded in equity for the purposes of a better representation of the result for the year. This accounting method is not applied, however, to the sale of equity investments in subsidiaries that may be held in the portfolios under separate management of the Life segment, since there is a specific mechanism for consolidating these profits within the benefits payable to policyholders.

In addition, for the accounting treatment of acquisitions of further equity investments in companies that are already subsidiaries, the choice was made to recognise in Group equity the difference between the purchase cost and book value of the minority shareholdings acquired, applying the economic entity theory.

Reclassification of financial instruments

In accordance with IAS 39, currently in force, as amended on 13 October 2008, a financial asset classified as available for sale may be reclassified in the category “loans and receivables” provided that it complies, at the acquisition date, with the requirements for such classification, and that the company has the intention and the capacity to hold the financial asset for the foreseeable future or until maturity. The choices made and their effects are disclosed in the notes to the financial statements.

Loans and receivables

This item includes loans as defined by IAS 39.9, excluding trade receivables.

Specifically, the item includes the deposits of reinsurers at the ceding companies, some debt securities held that are not listed on an active market, mortgages and loans given, as well as loans on life policies and time deposit contracts.

The latter includes the value of the “time deposit” securities acquired, while the value of the “time deposit” securities sold is recorded under financial liabilities in the item “Other financial liabilities”.

The interest and the difference between the “current” and “forward” value is recorded as income deriving from other financial instruments.

Loans and receivables are measured under the amortised cost method, using the effective interest rate criterion.

Investments held to maturity

This item includes financial instruments with fixed maturities and fixed or determinable payments, which the Group has the intention and capacity to hold until maturity. Specifically, debt financial instruments of the life segment servicing policies with specific provisions are included in this item. The valuation method is the amortised cost method, using the effective interest rate criterion.

Measurement of the fair value of financial instruments

Fair value represents the payment for which an asset may be exchanged or a liability settled in an arm’s length transaction between willing and knowledgeable parties, at a certain date; it therefore consists of the price that would be paid in an ordinary transaction, i.e. a transaction involving market participants or transactions between willing market participants, therefore excluding forced transactions.

Measurement of the fair value of the financial instruments is based on the assumption that the business is a going concern.

The calculation criteria for the hierarchy of fair value, based on market parameters, are shown below:

Level 1: Quotations taken from active markets

The valuation is the market price of the financial instrument subject to valuation, taken from quotations on an active market.

Level 2: Valuation methods based on observable market parameters

The valuation of the financial instrument is not based on the market price of the financial instrument subject to valuation, but on prices available from market quotations of similar activities or through valuation techniques for which all the important factors (such as credit and liquidity spreads) are taken from observable market data.

Level 3: Valuation methods based on non-observable market parameters

Measurement of fair value is based on valuation techniques which are mainly based on significant input not available on the market and results, therefore, in estimates and assumptions by management. In the event that fair value cannot be reasonably determined, the financial instrument is valued at cost.

Financial assets available-for-sale

This item includes all non-derivative financial assets, designated as available for sale. The item relates to the major part of the financial assets of the Group, i.e. equity securities that are mainly listed, investment fund units and debt securities (both listed and unlisted), which the Group has placed in this category.

As previously shown, profit and loss deriving from changes in the fair value of these assets are recorded directly in equity until they are sold or are impaired. At that moment the profit or loss, already recorded in equity, are recorded in the income statement for the period.

Impairment of financial instruments in the AFS segment

With regard to impairment losses, paragraph 59 of IAS 39 sets out the following qualitative factors as indicators of possible impairment:

- significant financial difficulties of the issuer
- contractual non-compliance or non-payment of interest or capital
- the risk of commencement or the commencement of insolvency proceedings of the issuer
- the elimination of an active market for the financial assets subject to valuation
- data which indicate the existence of a significant decrease in the future financial cash flows estimated for a group of financial assets, including:
 - unfavourable changes in the status of payments of beneficiaries in the Group
 - local or national economic conditions connected to defaults relating to activities within the Group.

Pursuant to paragraph 61 of IAS 39, objective evidence of the impairment of an equity instrument must include information on important changes with an adverse effect on the technological, market, economic or legal environment in which the issuer operates; in addition, a prolonged or significant reduction in the market value of an equity instrument below the original purchase cost constitutes objective evidence of impairment.

Following the publication of the “IFRIC Update” last July, it became clear that the two “significant or prolonged” criteria must be applied separately and not jointly. The requirement of the above-mentioned Joint Document n. 4 of 4 March this year has been applied by the Group since the 2009 half-year report.

Given all of the above, note that:

- the IAS/IFRS standards are “principle based” and therefore application is subject to reasonable and prudent choices by entities
- in particular, there are no quantitative regulations or “mechanisms” to determine the notion of “significant or prolonged” as cited above
- the only certain principle, which becomes a clear applicable regulation, is that in the presence of objective evidence of impairment, the entire negative reserve recorded under equity must be fully charged to the income statement.

Therefore, for the purposes of recognising impairment, the Group has identified the conditions for a prolonged or significant reduction in fair value, defined alternatively as:

1. a reduction in the market value of more than 80% of the original cost at the reporting date of the financial statements
2. a market value continuously lower than the original book value for a period of two years.

For Financial Instruments AFS that do not fall within the “automatic” criteria stated above, in the presence of significant capital losses on equity securities and funds within the segment, further analytical evaluations are nevertheless carried out in order to ascertain the presence of any impairment indicators.

Where such analysis indicates difficulty in recovering the book value, the entire negative reserve is recognised in the income statement.

Financial assets at fair value through profit or loss

This item includes financial instruments held for trading in the short term, as well as assets that the Group has placed in this category in accordance with IAS 39 currently in force. The category therefore includes debt securities and equity securities, both listed and unlisted, as well as open positions on derivative finance contracts held for both efficient management and for fair value and cash flow hedges.

This item also includes financial instruments hedging insurance or investment contracts issued by the insurance company for which the investment risk is borne by the policyholder, as well as financial assets deriving from the management of pension funds (class D investments under Italian GAAP).

Pursuant to the above-mentioned amendment to IAS 39 in October 2008, financial assets through profit or loss has become an “open” category and, therefore, if the asset is no longer held for sale or repurchase in the short term, it may be classified outside the category. It may also be reclassified in the presence of “rare circumstances” established

by IAS 39.50B. As highlighted by the same IAS Board, the deterioration of the global financial markets in the final four months of 2008 was a clear example of this.

5. OTHER RECEIVABLES

This item includes trade receivables as per IAS 32 AG4 (a) in application of IAS 39.

The principal receivables recorded under this item relate to positions with: policyholders for premiums due, agents and other brokers and co-insurance and reinsurance companies.

The receivables are valued at amortised cost using the effective interest rate method, identified by calculating the rate which matches the present value of the future cash flows of the receivable to the amount of the loan granted. The amortised cost method is not used for receivables that are so short-term that the effect of discounting is negligible. The receivables are valued at historical cost, which coincides with the nominal value, and are periodically subject to impairment testing. Similar criteria are used for revoked receivables or receivables without established maturities.

Periodically, an estimate is made of doubtful receivables. Bad debts are written down at the time of identification, taking into account financial effects relating to the presumed realisable period, where significant.

6. OTHER ASSETS

Non-current assets or disposal group classified as held for sale

This item includes non-current assets or discontinued groups held for sale, pursuant to IFRS 5. These assets are recorded at cost and valued at the lower of their book value and their fair value, net of expected selling costs.

Deferred acquisition costs

Acquisition commissions due to brokers for the acquisition of long-term policies are capitalised and amortised over the average duration of the contracts to which they refer. For the Life segment, amortisation is carried out up to the limits of policy loading. Periodically, the future use of the unamortised acquisition commissions is reviewed. All other charges incurred for the acquisition of risks relating to long-term contracts and for their management are recorded in the income statement in the year they are incurred.

Current and deferred tax assets

The current tax assets item refers to assets of a fiscal nature as defined by IAS 12.

The Group records the effects relating to current and deferred income taxes based on the valuation of the tax charge for the year determined in accordance with current fiscal regulations. Where there are temporary differences between the result for the year and the taxable result, the temporarily deferred tax is calculated taking into account the nominal tax rate in force at the time of their reabsorption and making adequate adjustments in the event of a change in rates compared with those applied in previous years.

Deferred tax assets are recorded up to the amount of their probable recovery in relation to capacity to continually generate positive taxable income.

Also recorded in this item are assets deriving from the payment of taxes pursuant to Article 1, paragraph 2 of Decree Law 209/02 as converted by Article 1 of Law 265/2002, as subsequently amended. This is in compliance with Regulation 7 of 13 July 2007, including if the above-mentioned assets do not relate to income taxes.

At year-end, current and deferred income taxes are reported net of the corresponding tax liabilities in accordance with the compensation rules permitted by IAS 12.

Other assets

This item includes reinsurance suspense accounts due, deferred commissions payable for contracts not within the scope of IFRS 4 and other assets of a residual nature that do not fall under previous items.

Financial service contracts related to financial insurance policies

Index-linked and unit-linked products of a financial nature are divided into a financial contract component (IAS 32 and 39) and a service contract component (IAS 18) for the administrative management of the investor position.

With regard to the service component of index- and unit-linked contracts, IAS 18 requires that:

- revenues and costs relating to the same transaction must be recorded simultaneously
- associated revenues and costs for a transaction involving services must be recorded with reference to the stage of completion of the transaction.

The stage of completion may be determined by a variety of methods. Specifically, when services are performed via an indeterminate number of actions over a specified period, revenue and costs are recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

On the basis of these considerations the portion of the cost incurred on the financial contracts to be amortised is calculated with the straight-line method and, conversely, the portion of revenues related to these contracts not yet matured.

Therefore, for the financial contract component the liability is valued at fair value, while for the service contract component, as the revenue flows (loading) are not aligned with cost flows (commissions and management costs), revenues are deferred (deferred income revenue), and the acquisition commissions (deferred acquisition cost).

For index-linked products, the DIR and DAC estimates, amortised for the period from commencement to the valuation date, are made directly on the portfolio in force, taking into consideration total loading and acquisition provisions by tranche.

For unit-linked products that are financial in nature, revenue flows, loading and management commissions (the latter estimated) are deemed higher than cost flows and they are recorded on an accruals basis over the residual duration of the contract.

7. CASH AND CASH EQUIVALENTS

This item includes cash, bank current accounts and deposits repayable on demand as well as other highly liquid investments, readily convertible into cash and without any risks.

These balances are recorded at their nominal value.

SHAREHOLDERS' EQUITY AND LIABILITIES

1. SHAREHOLDERS' EQUITY

Pertaining to the Group

This item includes equity instruments and the related Group equity reserves.

The item “Retained earnings and other equity reserves” includes, *inter alia*, reserves from the first-time application of international accounting standards, consolidation reserves, and catastrophic and equalisation reserves pursuant to IFRS 4.14 (a), as well as reserves deriving from share-based payments.

The item “Profit and loss on financial assets available-for-sale” includes profit or loss resulting from the valuation of financial assets available-for-sale net of both the related deferred tax (where applicable) and the part attributable to policyholders and recorded under insurance liabilities (shadow accounting).

The item “Treasury shares” includes, as an adjustment to Group equity, the book value of the equity instruments of the entity that prepares the consolidated financial statements, held by the entity itself and by the consolidated companies.

Pertaining to minority interests

This item includes the equity instruments and components and the related equity reserves pertaining to minority interests.

2. PROVISIONS

This item includes the liabilities defined and governed by IAS 37. Provisions for risks and charges are only made when the Group has an actual obligation (legal or implicit) which derives from a past event and for which it is possible to make a reasonable estimate of the presumed financial obligation. Future financial cash flows are only discounted when the effect is significant. In this event the adjustment of the provisions made for the passage of time is recorded as a financial charge on the basis of a discount rate that reflects the current valuation of the cost of money on the market, in relation to the passage of time.

3. TECHNICAL RESERVES

This item includes the commitments deriving from insurance contracts gross of reinsurance. Specifically, they include the reserves made following adequacy testing of liabilities and deferred liabilities in respect of policyholders.

The general regulations on technical reserves, pursuant to Articles 36 and 37 of Legislative Decree 209/05, sanction the principle that the amount of reserves must always be sufficient to permit companies to meet, as far as reasonably foreseeable, the commitments assumed on insurance contracts; the reserves were therefore calculated in accordance with the individual financial statement criteria and therefore no recalculation of technical reserves as per IFRS 4 was made. Specifically:

Non-Life unearned premiums reserve

Article 37 of Legislative Decree 209/05 requires recognition of the premium reserve under two components: the “reserve for unearned premiums” and the “reserve for unexpired risks”.

Reserve for unearned premiums

This is calculated in all classes, applying the pro-rata method analytically, on the basis of gross written premiums recognised, net of acquisition expenses, as outlined in Articles 51 and 52 of Legislative Decree 173/97.

For risks deriving from hailstorms and nuclear energy, the calculation was applied as per the Ministerial Decree of 23 May 1981.

For the Credit class, the provisions of Article 7, paragraph 4 of ISVAP Regulation 16 were applied for contracts entered into or renewed before 31 December 1991.

In the Other Property Damage, Fire, Injury and Transported Goods classes, further provisions were made for natural calamity, also in accordance with ISVAP Regulation 16.

In the Bond class, supplementary reserves were made in accordance with Article 12 of ISVAP Regulation 16.

Reserve for unexpired risks

This component of the premium reserve is created in accordance with Article 9 of Regulation 16/08 to cover the risks incumbent on the entity after year-end, to meet all the costs for claims that could arise on contracts giving rise to the formation of reserves for unearned premiums, to the extent that the expected costs of these risks exceed the reserve for unearned premiums.

The calculation procedure adopted for the provision of this reserve reflects the empirical method suggested by the Supervisory 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 retrospective period in relation to the particular nature of each class or of the individual types of risks included.

Non-Life claims reserve

The claims reserve represents the total amount of funds which, using a prudent valuation based on objective elements, are necessary to meet the payment of claims open at year-end, as well as the relative settlement expenses.

The claims reserve was valued pursuant to Article 27 *et seq.* of Regulation 16/08, using ultimate 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 claims not reported at year-end.

In particular:

Motor TPL class

In accordance with Article 37, paragraphs 5 and 6 of Legislative Decree 209/05 and Articles 24-34 of Regulation 16, the Company calculated the claims reserve as described below.

a.1 Reserve for claims reported

The claims reserve includes sums that, using a prudent evaluation based on objective elements and separate for each claim, are required to pay claims incurred during the year or in previous years, which are not yet paid, as well as the relative settlement expenses.

The reserve is valued in the amount of the ultimate cost and therefore takes account of all foreseeable future charges, determined on the basis of historical data and objective prospective elements.

The claims reserve recorded in the financial statements represents the result of a multi-phased complex technical valuation, arising from a preliminary valuation based on analytical examination of the single positions open, followed by a process, assigned to a management level within the company, which uses statistical and actuarial methods to determine the amount of the ultimate cost of the claims.

In the case of non-reporting of reserves by the settlement offices a statistical average cost reserve is applied.

The average statistical cost was defined by grouping claims into homogeneous categories, subdivided by type of claim (material, injury, mortal), type of vehicle and province. For these categories of claims the average statistical cost was obtained from the average cost paid on the basis of the damages settled in the year and in years previous to those estimated. In order to obtain reliable estimates, the number of each homogeneous grouping identified has to be sufficiently large; when this does not occur the provincial factor is replaced by the regional factor, or regions are combined until eventually the entire country is covered. In this manner it is always possible to obtain sufficiently numerous combinations. For CARD debtors, the average statistical cost was adjusted to take account of the regulations defined by ISVAP relating to the threshold and ceiling on physical claims while on CARD material damage it was equal to the flat-rate due.

In particular, with the introduction of direct indemnity in 2007 and considering that the CARD flat rate last changed in 2009, it was necessary to separately value the claims reserve of the current generation and that of the previous generation of claims.

Current generation

On this data a verification process was carried out based on the following statistical principles:

- cancellation speed
- settlement speed
- average cost paid
- average reserve cost
- average cost accepted
- ratio between claims and premiums.

Previous generations

With regard to previous generations, the historical series of claims caused by the policyholders of the Company was updated with claims managed by the Company. Due to the introduction of the direct indemnity, the historical series do not present any more a linear pattern, which is the basis of any actuarial statistical method. For this reason the Fisher-Lange model was updated to include operational discontinuities and take them into account in the projection of future payments.

In particular the indicators relating to the percentage of claims accepted and the speed of settlement were calculated for each year in order to better differentiate the behaviour in the CARD regime from previous years. The analysis of the average cost paid was supported by the analysis of serious claims.

The process for calculating the Motor TPL reserve is based on the following principles:

- The Fisher Lange method was confirmed as the benchmark actuarial statistical method in that, also taking account of the number of claims, it allows for an estimate of the reserve to be made without overlooking any changes to settlement policies due to direct indemnity.
- In support of the Fisher Lange method, it was considered appropriate to continue to use the Chain Ladder to weigh the estimate obtained using

Fisher Lange. While this method is useful due to the ease in obtaining the requested information (it is enough to know the cumulative amounts paid of the individual generations), it requires that the fundamental assumption of constant progression in cumulative payments is satisfied over time. No consideration was therefore taken of the last three years estimated by the method, in that there was no consistency in the payments due to the introduction of direct indemnity.

- Considering that the valuation was made on claims, the reserve calculated with these methods includes the IBNR claims reserve.

Finally, on the basis of the four fundamental assumptions needed for the Fisher-Lange method (speed of settlement, rate of claims accepted, average base costs, future inflation of average costs), various scenarios were considered for the sensitivity analysis of the results provided by the method.

The settlement expenses reserve was calculated by applying a percentage, based on observable experience, to the total reserve, whose ultimate cost valuation included this component.

a.2 Reserve for claims not yet reported

The reserve for claims not yet reported (IBNR) was determined based on the criteria defined by Article 32 of ISVAP Regulation 16 of 4 March 2008, as shown below.

Given that the valuation of the claims reserve at ultimate cost is carried out by year, the estimate includes the provision necessary to meet the claims attributable to the year but not yet reported at year-end, estimated with reference to historical experience in previous years.

The estimate of the number of IBNRs expected was made using the Chain Ladder method applied to the historical series of claims reported. An “accepted claims” rate was applied to the expected IBNR number in line with the actual rate to obtain the definitive estimate.

In order to quantify the allocation to the total claims reserve, the strength of the IBNR reserve compared with the previous year based on the results recorded in the year is analysed, and subsequently a residual amount is allocated both in terms of total costs and in terms of average cost.

- *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 ultimate cost of the claims. These models take into account past experience in relation to the adequacy of the claim reserve as well as changes in, and the effective occurrence of, late claims.

- *Settlement expenses*

With regard to the quantification and allocation process for settlement expenses, note the following:

- on payment, external expenses are directly allocated to individual claims, while internal expenses are broken down by class and, within this, by generating event, based on the payment amount (indemnity plus external expenses)
- on the reserve, external and internal expenses are a component of the valuation of the reserve at ultimate cost and are subsequently determined

by applying to the total reserve a percentage defined based on experience of trends in settlement expenses.

- *Reserve for claims not yet reported*

Given that the valuation of the claims reserve at ultimate 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 year-end, estimated with reference to historical experience in previous years.

Other technical reserves

These include, pursuant to Article 37, paragraph 8 of Legislative Decree 209/05, the ageing reserve, comprising insurance contracts against long-term health problems and for which the company has renounced the right of withdrawal; the reserve was calculated in accordance with paragraph 8 of the above-mentioned article.

Catastrophic and equalisation reserves

IFRS 4 – *Insurance contracts* defines insurance liabilities as a net contractual obligation of the insurer pursuant to an insurance contract.

Based on this definition, the financial statements prepared in accordance with IAS/IFRS may not include any component of the premium reserves which, although obligatory under Italian GAAP in that they are made against specific regulations, do not concern individual insurance contracts but rather all contracts covering certain catastrophic risks. These are provisioned based on a flat rate, in addition to the reserve for unearned premiums of individual contracts, and calculated using the pro-rata method, for the purpose of strengthening the reserves to cover these catastrophic risks.

These additional reserves are therefore made not against claims already occurring (which gives rise to a contractual obligation of the insurer, to be recorded in the claims reserve) but against the possibility that the claims of this nature will occur in the future. According to IFRS 4, this possibility is met not with a liability, but with a greater amount of equity.

Life technical reserves

The mathematical reserve of direct insurance relating to the Life class is calculated analytically for each contract, on the basis of pure commitments without deduction for acquisition expenses of the policies and with reference to actuarial assumptions (technical interest rates, demographic assumptions of elimination for death or invalidity and management expenses) adopted for the calculation of premiums relating to contracts in force. In any event, the mathematical reserves are 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 mathematical reserves also include the additional reserve on revaluable service contracts, pursuant to ISVAP Regulation 21, and the additional reserves on a technical basis to take into account the higher charges that the company must incur in view of the existing differences between the interest rate given to policyholders and the trend in the expected yields of the segregated funds over the next four years.

These reserves are for commitments relating to life insurance policies and those with discretionary participation features.

Shadow Accounting

In order to provide better data disclosure and according the option provided by paragraph 30 of IFRS 4, the value of the mathematical reserves relating to contracts with discretionary participation features (including the segregated funds in the Life class) was correlated with the value of the relative assets determined in accordance with IAS 39.

The securities included in the segregated funds of the Life class are included in the “available-for-sale” category, or in the “fair value through profit or loss” category, and, as such, are measured at fair value, with equity or income for the period increased by the difference between the fair value and the book value calculated in accordance with Italian GAAP.

The return on the securities included in the segregated funds thus determines the returns of policyholders and therefore affects the amount of the mathematical reserve.

The technical reserves for the contracts included in the segregated funds were adjusted for consistency with the valuation of the related assets, with the difference recorded in equity (or through profit or loss); in this manner the technical reserves of these contracts take into account the portion pertaining to policyholders of the latent capital gains or losses of the securities assigned to the segregated funds. Based on contractual clauses and current regulations, these differences will be recognised to policyholders only when realised with the sale of the relative assets.

Note that the recognition method is adopted within the limits of safeguarding the minimum guaranteed return contractually recognised, within each segregated funds, for each minimum guaranteed line, in order not to infringe on the rights of the policyholders. In addition, the recognition period for unrealised capital gains/losses in the income statement takes account of the operating nature of each company and consists of a variable time period between two and five years. Following the previously mentioned amendment to IAS 39, account was also taken of the reclassification of financial instruments for shadow accounting purposes.

The above-mentioned accounting treatment reduces, albeit partially, the valuation mismatch between assets and liabilities.

Liability Adequacy Test (LAT)

In accordance with IFRS 4, insurance companies must carry out an adequacy test on the technical reserves recorded in the financial statements. This must take place in accordance with certain minimum provisions based on the best current estimates of cash flows related to the contracts in portfolio at year-end and related flows (for example settlement expenses), and must take into account cash flows deriving from guarantees and implicit options.

Any deficiencies in the technical reserves recorded in the financial statements in relation to estimated future cash flows must be fully recognised in the income statement.

In this regard, note that the Italian regulations do not explicitly provide for adequacy tests on the technical and insurance reserves. However, special Italian provisions relating to insurance require certain adjustments which are consistent with IFRS 4, although they do not meet all the requirements.

In particular, for the Life segment the mathematical reserves are calculated using demographic and financial assumptions to determine the pure premium (first order technical bases), in turn supplemented by additional technical reserves based on current assumptions at the time of valuation (second order technical bases). These include:

- the reserve on the expected returns as per Article 35 of ISVAP Regulation 21, which, however, does not extend examination to the duration of the contracts
- the additional reserve for demographic risk, pursuant to Article 50, paragraph 2 of ISVAP Regulation 21
- additional reserves to guarantee the result and/or repayment of capital (pursuant to Article 41 of Legislative Decree 209/05).

Therefore, the Group developed a model to measure the adequacy of insurance liabilities in the Life segment, which is described in section F, relating to the uncertainty of financial insurance flows.

With regard to the Non-Life segment, the component of the unearned premium reserve attributable to the reserve for unexpired risks, which is considered necessary whenever the expected claims in the class are higher than those used to create the tariff premium, is deemed to represent a reasonable approximation of the LAT. In relation to the claims reserve, the Italian regulations established that this must be calculated in accordance with the criterion of ultimate cost, i.e. the total sum paid to the beneficiary at the time of compensation. Also in this case the calculation of the claims reserve in accordance with Italian GAAP based on the principle of ultimate cost is deemed to be included in principal future cash flows without taking into account any discounting factors, which therefore may be considered greater than the amount resulting from application of LAT in accordance with IFRS 4.

4. FINANCIAL LIABILITIES

This item includes financial liabilities pursuant to IAS 39, other than commercial payables as described in IAS 32 AG4 (a).

Financial liabilities at fair value through profit or loss

This item includes financial liabilities at fair value through profit or loss, defined and governed by IAS 39. Specifically, this item includes commitments to policyholders in respect of investment contracts not included in the scope of IFRS 4, as well as those deriving from the management of pension funds.

This category includes liabilities relating to the unit- and index-linked products with the characteristics indicated by Article 41, paragraphs 1 and 2 of Legislative Decree 209/05, as well as Class VI insurance contracts, whose limited underlying insurance risk resulted in restatement from insurance contracts to financial contracts.

In this case, recording changes in fair value in the income statement allows for a correlation with the valuation of underlying assets in accordance with European Commission statements regarding correlated valuations between assets and liabilities in the Explanatory Memo of 19 November 2004 and with IAS 39, as well as the instructions provided in ISVAP Regulation 7 of 13 July 2007.

The item also includes capital losses on derivative finance contracts at the end of the year.

Other financial liabilities

This item includes the financial liabilities defined and governed by IAS 39 not included in the previous category. This item includes the financial and operating payables of the Group, such as subordinated loans (only for the financial component), deposits received from reinsurers, miscellaneous borrowings and other financial payables.

Also included are investment contracts not falling within the scope of IFRS 4, other than unit- and index-linked contracts, such as, for example, contracts pursuant to Article 33, paragraph 4 of Legislative Decree 209/05.

These liabilities, which are recorded at fair value on initial recognition, are subsequently valued at amortised cost using the effective interest rate method.

5. PAYABLES

This item includes trade payables as per IAS 32 AG4 (a) governed by IAS 39. In particular, this item includes payables deriving from direct and indirect insurance transactions, as well as provisions for the severance indemnity.

Severance indemnity and other employee benefits

Following the pension reforms, from 1 January 2007, with the entry into force of Legislative Decree 252/2005, private sector employees may or must choose, depending on whether the company that employs them has fewer than or more than 50 employees, to allocate the portion of the severance indemnity accruing after 1 January 2007 to the INPS Treasury Fund or to the Supplementary Pension. This choice must be made by 30 June 2007, or within six months of the employment date.

Following this reform, the portions accruing at 31 December 2006 continue to be considered as a “defined benefit plan”, but the liability was recalculated actuarially without taking into account the pro-rata service provided, given that the benefit to be valued was already fully accrued, giving rise to the “curtailment” recorded in the income statement in one single amount (see paragraph 111 of IAS 19).

The portions accruing after 31 December 2006 and allocated to the INPS Treasury Fund and/or Supplementary Pension are instead considered as a defined contribution plan and are therefore no longer subject to actuarial valuation.

In addition, as indicated in the Internal Communication to the Associates of Assirevi, as all the companies of the Group have chosen the accounting treatment of recording actuarial gains and losses directly to equity in the specific reserve, the amounts recorded up to 31 December 2006 were reclassified to “Retained earnings (losses)”.

Service bonus pursuant to Article 32 of the collective bargaining agreement (CCNL)

The fund was created for all employees of insurance companies who had completed 25 and 35 years of active service at the company at year-end, based on the annual contributions accrued at the payment date. In accordance with Italian GAAP, each year a provision is made for each employee in service of the amount accrued at this date. The provision is used for the bonuses paid out. This is, however, also recorded in accordance with IAS 19 under “Other long-term employee benefits”.

6. OTHER LIABILITIES

Current and deferred tax liabilities

This item includes the liabilities of a fiscal nature as defined and governed by IAS 12.

The valuation of the fiscal charge, current and deferred, relating to income tax is based on the current national tax rates in force at the reporting date.

In particular, recognition of deferred tax liabilities generally occurs for all temporary differences, whether they relate to equity or income statement items, which will reverse in future years by applying, to the temporary differences, the rates in force when they reverse.

At year-end, current and deferred tax liabilities are recorded net of the corresponding tax assets in accordance with the compensation regulations of IAS 12.

INCOME STATEMENT

INSURANCE CONTRACTS

From the date of entry into force of IFRS 4 (1 January 2005), all contracts have been classified with identification of those that do not fall within the scope of IFRS 4, given that they do not represent a significant insurance risk component even though they are legally insurance contracts. In particular, all contracts relating to the Life class (except those with discretionary participation features, for which IFRS 4 stipulates adoption of the accounting principles in force at the date of transition to IAS) which do not fall under the previous definition must be recorded as financial contracts and therefore in accordance with the rules of IAS 39 (“deposit accounting” method). Contracts that comply with the definition under IFRS 4 are recorded in accordance with the current rules of Italian GAAP and the relative reserves are subject to an adequacy test.

Therefore, based on IAS/IFRS principles, insurance policies are classified in the following categories:

- insurance contracts and financial instruments with discretionary participation features to which IFRS 4 *Insurance contracts* applies
- other financial instruments, which fall within the scope of application of IAS 39 - *Financial instruments: recognition and measurement* and IAS 18 - *Revenues* for any service component.

Based on the analyses of the policies in the portfolio, all the contracts of the Non-Life class were accounted for in accordance with IFRS 4, as are all the contracts of the Life class, with the exception of the majority of index-linked and unit-linked contracts, which were valued instead in accordance with IAS 39 and IAS 18. This valuation resulted in the separation of the financial liabilities (valued at fair value through profit or loss) from the component of premiums attributable to services on behalf of policyholders, valued in accordance with IAS 18.

PREMIUMS FOR THE PERIOD

The gross written premiums recognised include the amounts accruing during the year for insurance contracts, as defined by IFRS 4 *Insurance contracts*. Revenues relating to policies which, although legally insurance contracts, have an insignificant insurance risk, are not included in this item and fall within the scope of IAS 39 and IAS 18. These contracts are in fact treated using the “deposit accounting” method which, *inter alia*,

requires the recording in the income statement of only the explicit and implicit loading, under the “commission income” item.

Contracts falling within the scope of IFRS 4 are treated in accordance with the accounting principles of the statutory financial statements. Specifically, pursuant to Article 45 of Legislative Decree 173/1997 and the instructions contained in the ISVAP Regulation in relation to the financial statements of insurance companies, the premiums include:

- cancellations due to technical reversals of individual securities issued in the year
- cancellation of premiums in the Life class from annuities expired in previous years
- changes of contracts with or without changes in premiums, made through replacement or supplemented.

COMMISSION INCOME AND COMMISSION EXPENSE

These items include commissions relating to investment contracts not included within the scope of IFRS 4. As already mentioned in the comment on the premium items, they refer to:

- index-linked contracts within Class V “Securitisation”
- unit-linked contracts, which record, under commission income, the loading on the contracts and the management commission income and, under commission expenses, the commissions paid to the brokers.

This item also includes commission income for revenues on financial services which are recorded, based on existing contractual agreements, in the period in which the services were rendered.

INVESTMENT INCOME

Net income from financial instruments recorded at fair value through profit or loss

This item includes profit and loss, including dividends and net trading results, and the positive and negative changes to financial assets and liabilities measured at fair value through profit or loss. The change in value is calculated based on the difference between the fair value and the book value of the financial instruments recorded in this category.

Income and charges from equity investments in subsidiaries, associates and joint ventures

This includes income originated from equity investments in associated companies recorded under the corresponding asset item. This relates in particular to the portion of the result for the period pertaining to these investee companies.

Income and charges from other financial instruments and investment property

Recorded under these items are:

- income and capital gains realised (and charges and capital losses realised) on investments classified as “available for sale”
- income and charges on loans and receivables
- income and charges relating to investment property.

OTHER REVENUES

This item comprises:

- revenue from the sale of goods, from services other than those of a financial nature and from the use, by third parties, of tangible and intangible assets and other assets of the entity
- other net technical income related to insurance contracts
- exchange differences recorded in the income statement as per IAS 21
- gains realised and any restatement in values relating to tangible and intangible assets.

NET CHARGES RELATING TO CLAIMS

This item comprises:

- amounts paid, net of recovery
- changes in claims reserves and other technical reserves in the Non-Life class
- changes in mathematical reserves and other technical reserves in the Life class
- changes in technical reserves relating to contracts for which the investment risk is borne by the policyholder under insurance contracts and financial instruments to which IFRS 4 applies.

The amounts recorded include settlement expenses paid and accrued, which include all expenses relating to inspection, verification, valuation and settlement of claims and which are attributed to the individual classes based on the amounts of the claims processed and the sums paid, taking into account their different impacts.

INVESTMENT EXPENSE

Charges from equity investments in subsidiaries, associates and joint ventures

This includes charges arising from equity investments in associated companies, recorded under the corresponding asset item. This relates in particular to the portion of the result for the period pertaining to these investee companies.

Charges from other financial instruments and investment property

This item includes charges from investment property and financial instruments not measured at fair value through profit or loss and in particular:

- financial charges recognised using the effective interest method
- other charges and in particular costs relating to investment property, such as condominium expenses, and maintenance and repairs not carried out to increase the value of the investments
- losses realised following the sale of financial assets and investment property or the derecognition of financial liabilities
- losses on valuation, deriving principally from depreciation and impairment.

MANAGEMENT EXPENSES

Commissions and other acquisition expenses

This item includes acquisition costs relating to insurance contracts and financial instruments as per IFRS 4.2, net of reinsurance.

Investment management expenses

Refers to general expenses and personnel costs relating to the management of financial instruments, investment property and investments, as well as custodial and administration costs.

Other administrative expenses

This item includes general and personnel costs not attributed to the relative claims charges, insurance contract acquisition expenses and investment management charges. This item relates in particular to the general expenses and personnel costs of the companies exercising activities outside the insurance sector, not otherwise allocated, as well as general expenses and personnel costs incurred for the acquisition and administration of investment contracts not within the scope of IFRS 4.

Other costs

This item comprises:

- costs relating to the sale of goods other than those of a financial nature
- other net technical charges relating to insurance contracts (see the comments on the premiums item)
- provisions made in the year
- exchange differences recorded in the income statement as per IAS 21
- losses realised and impairment and depreciation and amortisation on tangible fixed assets, when not allocated to specific items, and on intangible assets.

INCOME TAXES

The income taxes recorded in the income statement include all taxes, current and deferred, calculated on the income of the Group on the basis of the nominal tax rates in force at the reporting date and exclude those directly recorded in equity, in that the relative adjustments to assets and liabilities in the financial statements are directly recorded in equity.

This item comprises:

- charges (or income) for current taxes in the year and any adjustments made in the year for excess current taxes relating to previous years
- charges (or income) for deferred taxes relating to the emergence and reversal, during the year, or temporary fiscal differences as well as adjustments to deferred taxes recognised in previous years following, in particular, changes in tax rates
- the amount of the deferred tax charge or income based on the cancellation, in future years, of the temporary fiscal differences which were originally recorded
- the amount of tax charges (or income) relating to changes in accounting principles, valuation processes, estimates or errors compared with previous years.

STATEMENT OF OTHER COMPREHENSIVE INCOME

This statement shows the revenue and cost items (including adjustments from restatement) not recorded under profit (loss) for the year, since they are recorded directly in equity; therefore, the statement shows all the changes in equity and in profit (loss), which, in accordance with IAS/IFRS principles, must not be recognised directly in the income statement.

OTHER INFORMATION

Stock option plans

Accounting principle IFRS 2 - *Share-based payments* requires the recording in the income statement of the implicit cost related to employee stock option plans. In the case of stock options, the regulation requires the Company to recognise the service received in the financial statements, i.e. the employment service of the stock option beneficiaries, which is valued at the fair value of the shares/options paid out. The consequence of this accounting approach is that the stock option plans increase the personnel costs recorded in the consolidated financial statements; it was therefore necessary to identify appropriate valuation models in order to determine the fair value of the options and therefore the personnel costs to be recorded in the financial statements. The calculation methods and the disclosures required by IFRS 2 are reported in the notes to the financial statements.

The fair value option was calculated using the Black-Scholes-Merton model. This is the most commonly used valuation model for European options, based on which the theoretical price (value) of a call option is an increasing function of the underlying security, its volatility, the market interest rate and the time period, and a decreasing function of the exercise price and the expected dividends.

In other words, the value of an option arises from the difference between two elements:

- the current market value of the underlying security discounted at an expected dividend rate
- the exercise price of the underlying security (strike price) discounted at a rate equal to the private use of risk capital.

Both the criteria were estimated to measure the probability that the value of the underlying security will remain higher than the exercise price of the option.

In particular, the plans adopted by Fondiaria-SAI apply IFRS 2 - Appendix B, paragraph 5, which permits the use of this valuation method for options without long vesting periods or that in any event must not be exercised within a short period after the vesting date. In addition, the fact that the two stock option plans examined do not allow the option to be exercised before the vesting date permits, in accordance with IFRS 2, the application of the Black-Scholes model.

The results deriving from the use of the model are also validated through the application of alternative procedures; specifically, the binomial and trinomial methods were used as validation and control tools. Part H of the notes provides further details on the stock option plans.

SEGMENT REPORTING

In accordance with IFRS 8, disclosure on the operating segments provides information allowing users of the financial statements to evaluate the nature and effects on the financial statements of the business activities which the company has undertaken and the economic context in which it operates.

The standard is applied in order to provide information on profit and loss in the segment including revenues and expenses, assets and liabilities, based on the principles adopted. For these purposes IFRS 8 establishes operating segments as “identifiable units which undertake business activities generating revenues and costs, in which operating results are periodically reviewed at the highest operational decisional level in order to adopt decisions based on the resources to be allocated to the sector and the evaluation of the results”.

The operating segments described in this section were identified based on the provisions of ISVAP Regulation 7 and the reporting used by the Group in taking strategic decisions.

The Group companies are organised and managed separately, according to the nature of their products and services, for each business segment representing a strategic business unit offering different products and services.

The Non-Life segment provides insurance cover for events pursuant to Article 2, paragraph 3 of Legislative Decree 209/05.

The Life segment offers insurance cover with payment of capital or an annuity against an event relating to human life, as well as securitisation contracts with or without significant insurance risk (Article 2, paragraph 1 of Legislative Decree 209/05).

The Real Estate segment rents offices, buildings and residential homes which exceed the coverage requirements of the technical/assurance reserves of the Group and actively operate in the management of investment property.

The Other Assets segment, by its nature residual, offers products and services in asset management and the financial and agricultural sectors. The identification of the residual segment is based on a discretionary valuation in order to illustrate the primary sources of risks and benefits for the Group.

Reciprocal receivables and payables, as well as the inter-group costs and revenues, are directly eliminated within the segments of the companies if they operate within the same segment. When the inter-company transaction relates to companies operating in different sectors, the data recorded are shown in the section “Inter-segment eliminations”.

Otherwise, the treatment is as follows:

- investments are derecognised within the segment in which the companies hold the assets
- dividends are derecognised in the companies that receive the payments
- the capital gains and losses to be realised are derecognised by the company that realised the relative results, even if the counterparties operate in different segments.

UNCERTAINTY REGARDING THE USE 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 2009 financial statements, the assumptions made are believed to be appropriate; consequently the financial statements are believed to be prepared with the intention of clarity and are a true and fair representation of the financial and operating situation in the year. Summary information is provided below, pursuant to paragraph 116 of IAS 1. In the relative sections of the notes to the financial statements, adequate and exhaustive information is provided concerning the underlying reasons for the decisions taken, the valuations made and the valuation criteria adopted in application of international accounting standards.

In order to provide reliable estimates and assumptions, reference was made to historical experience, as well as other factors considered appropriate in specific cases, based on all the information available.

It cannot be ruled out, however, that variations in estimates and assumptions may have significant effects on the statement of financial position and income statement, as well as on the potential assets and liabilities reported for information purposes in the financial statements, if opinions different from those prevailing at the time of reporting are brought to bear.

In particular, the use of more subjective valuations by management was necessary in the following cases:

- in the calculation of the impairment of goodwill from business combinations, of goodwill in investment holdings and the relative value of business acquired
- in the definition of the parameters used in the analytical valuations of equity securities and bonds in the available-for-sale category to test for impairment; in particular, see the choice of valuation models and the principal assumptions and parameters used
- in the estimate of the recoverability of deferred tax assets
- in the quantification of provisions for risks and charges and the employee benefit provisions, for the uncertainty therein, the period of survival and the actuarial assumptions used.

The reporting of these cases aims to provide readers of the financial statements with a better understanding of the principal areas of uncertainty, but it is not intended in any event to imply that alternative assumptions could be appropriate or more valid.

In addition, the valuations in the financial statements are made based on the assumption that the business is a going concern, i.e. no risks were identified that could compromise ordinary business operations. Information on financial risks and insurance risks is provided in Part E – Information on financial risks and uncertainties.

Section 5 – Scope of consolidation

At 31 December 2009, the Fondiaria-SAI Group, including the Parent Company, was made up of 129 Companies, of which 19 operated in the insurance sector, 2 in the banking sector, 50 in the property and agricultural sector, and 25 in the financial services sector; with the remainder being miscellaneous service companies. The companies have 23 overseas offices.

The total number of fully consolidated subsidiaries is 917 and the number of companies consolidated using the equity method is 20. The remaining companies are consolidated under the proportional method or maintained at book value because their financial contribution to the Group is minimal.

There are 103 subsidiary companies, of which six are controlled directly by the Parent Company.

Subsidiaries which, due to their size or nature, are not significant for the purposes of a true and fair representation of the present financial statements, are excluded.

These exclusions, relating in total to nine companies, derive directly from the requirement of relevance of disclosure in the financial statements in accordance with both the framework and the provisions of IAS 1. These exclusions are therefore not a consequence of significant restrictions in the exercise of control or its duration.

During 2009, the basis of consolidation of the Group changed as follows:

- Incorporation of CITTÀ DELLA SALUTE S.c.r.l. and division of all shares among Group companies.
- Purchase of ATAHOTELS S.p.A. (51% owned by Fondiaria-SAI and 49% by Milano Assicurazioni). At the same time, control was acquired of its subsidiaries/holdings, i.e. ATA BENESSERE S.r.l., ATAHOTELS SUISSE SA, TOUR EXECUTIVE S.p.A., HOTEL TERME DI SAINT VINCENT S.r.l., ITAL RESIDENCE S.r.l. and ITAL H&R S.r.l.
- Acquisition by Milano Assicurazioni S.p.A. of further shares of the company VALORE IMMOBILIARE S.r.l., reaching 50% of the share capital at 31 December 2009.
- Deconsolidation of EFFE FINANZIARIA S.p.A., following completion of the liquidation procedure.
- Purchase by Milano Assicurazioni S.p.A. of 43% of the financial company HEDF ISOLA S.c.s.
- Incorporation of the insurance company DDOR RE JOINT STOCK REINSURANCE COMPANY, of which the subsidiary The Lawrence RE holds 99.99% of the shares.
- As part of the transferral of property by some Group companies to the Rho property fund, note that there is an equity investment in the fund of 31.18% for Fondiaria-SAI and 10.53% for Milano Assicurazioni.

In addition, the following transactions are reported:

- incorporation by merger, in the Group company Fondiaria-SAI Servizi S.c.r.l., of the companies STARVOX S.r.l. and SALEVOX S.r.l.
- full consolidation of the Athens property fund, a speculative closed-end reserved property fund, held by Milano Assicurazioni

- loss of control of the companies WAVE TECHNOLOGIES S.r.l. and WAVE LOGISTICA S.r.l.
- incorporation of the company IMMOBILIARE FONDIARIA-SAI S.r.l., in which Fondiaria-SAI holds 100% of the share capital, and incorporation of the company IMMOBILIARE MILANO ASSICURAZIONI S.r.l. in which Milano Assicurazioni holds 100% of the share capital, following the non-proportional spin-off of Immobiliare Lombarda S.p.A.
- transfer of shares, equal to 100%, of THE LAWRENCE LIFE ASSURANCE COMPANY Ltd from Fondiaria Nederland (now Fondiaria-SAI Nederland) B.V. to Popolare Vita S.p.A., which now has control
- incorporation of the company DONATELLO DAY SURGERY S.r.l. in which Fondiaria-SAI holds 100% of the share capital following the proportional partial spin-off of FLORENCE CENTRO CHIRURGIA AMBULATORIALE S.r.l.
- change in the percentage of the equity investment in BUTTERFLY AM S.a.r.l. from 19.99% to 28.57%
- transfer of shares, equal to 2.5%, of CITTÀ DELLA SALUTE S.c.r.l. from Florence Centro Chirurgia Ambulatoriale S.r.l. to Donatello Day Surgery S.r.l.
- change in company name from Fondiaria Nederland B.V. to FONDIARIA-SAI NEDERLAND B.V.
- change in the name and corporate purpose of the company Meridiano Terzo S.r.l. to the company ATAValue S.r.l.
- merger by incorporation of the companies MANTEGNA S.r.l., MERIDIANO QUINTO S.r.l., MERIDIANO RISPARMIO S.r.l. and PORTOFINO VETTA S.r.l. into Fondiaria-SAI S.p.A.
- merger by incorporation of the company MERIDIANO EUR S.r.l. into Milano Assicurazioni S.p.A.

- loss of control of the companies WAVE TECHNOLOGIES S.r.l. and WAVE LOGISTICA S.r.l.
- incorporation of the company IMMOBILIARE FONDIARIA-SAI S.r.l., in which Fondiaria-SAI holds 100% of the share capital, and incorporation of the company IMMOBILIARE MILANO ASSICURAZIONI S.r.l. in which Milano Assicurazioni holds 100% of the share capital, following the non-proportional spin-off of Immobiliare Lombarda S.p.A.
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- change in the percentage of the equity investment in BUTTERFLY AM S.a.r.l. from 19.99% to 28.57%
- transfer of shares, equal to 2.5% , of CITTA' DELLA SALUTE S.c.r.l. from Florence Centro Chirurgia Ambulatoriale S.r.l. to Donatello Day Surgery S.r.l.
- change in company name from Fondiaria Nederland B.V. to FONDIARIA-SAI NEDERLAND B.V.
- change in the name and corporate purpose of the company Meridiano Terzo S.r.l. to the company ATAValue S.r.l.
- merger by incorporation of the companies MANTEGNA S.r.l., MERIDIANO QUINTO S.r.l., MERIDIANO RISPARMIO S.r.l. and PORTOFINO VETTA S.r.l. into Fondiaria-SAI S.p.A.
- merger by incorporation of the company MERIDIANO EUR S.r.l. into Milano Assicurazioni S.p.A.

Name - Registered office	Currency	Share capital	Percentage held		Group interest
			Direct	Indirect	
SUBSIDIARIES					
Companies consolidated line-by-line					
Atahotels Compagnia Italiana aziende turistiche alberghiere S.p.A. - Milan	Euro	17.340.000		Fondiar-SAI S.p.A. Milano Assicurazioni S.p.A.	51,00% 49,00% 27,158%
ATAVALUE S.r.l. (formerly MERIDIANO TERZO S.r.l.) - Turin	Euro	10.000		SAI Holding Italia S.p.A.	100,00% 33,063%
ATHENS R.E. FUND - SPECULATIVE FUND	Euro			Milano Assicurazioni S.p.A.	100,00% 21,011%
AUTO PRESTO & BENE S.r.l. - Turin	Euro	51.000		Fondiar-SAI S.p.A.	100,00% 33,063%
Banca Gesfid S.A. - Lugano (CH)	Sw.fr.	10.000.000		Fondiar-SAI S.p.A.	100,00% 33,063%
Banca SAI S.p.A. - Turin	Euro	116.677.161		Fondiar-SAI S.p.A.	100,00% 33,063%
BIM VITA S.p.A. - Turin	Euro	7.500.000		Fondiar-SAI S.p.A.	50,00% 16,531%
Bipiemme Vita SpA - Milan	Euro	103.500.000		Milano Assicurazioni S.p.A.	51,00% 10,714%
Bramante S.r.l. - Milan	Euro	10.000		Immobiliare Fondiar-SAI S.r.l.	100,00% 33,063%
Campo Carlo Magno S.p.A. - Pinzolo (Tn)	Euro	9.311.200		Milano Assicurazioni S.p.A.	100,00% 21,011%
Capitalia Assicurazioni S.p.A. (formerly Fineco Assicurazioni) - Milan	Euro	5.200.000		Fondiar-SAI S.p.A.	51,00% 16,862%
Carpaccio S.r.l. - Milan	Euro	10.000		Immobiliare Fondiar-SAI S.r.l.	100,00% 33,063%
Casa di Cura Villa Donatello S.p.A. - Florence	Euro	361.200		Fondiar-SAI S.p.A.	100,00% 33,063%
Casa di Cura Villanova S.r.l. - Florence	Euro	182.000		Fondiar-SAI S.p.A.	100,00% 33,063%
Cascine Tremo S.r.l. - Turin	Euro	10.000		Immobiliare Fondiar-SAI S.r.l.	100,00% 33,063%
Città della salute Scrl	Euro	100.000		Casa di Cura Villa Donatello Casa di Cura Villanova Donatello Day Surgery S.r.l. Florence Centro Chirurgia AM	50,00% 45,00% 2,50% 2,50% 33,063%
Colpetrone S.r.l. - Umbertide (PG)	Euro	10.000		Saigricola S.p.A.	100,00% 32,229%
Consorzio Castello - Florence	Euro	51.000		Nuove Iniziative Toscane S.r.l.	99,66% 32,567%
Crivelli S.r.l. - Milan	Euro	10.000		Immobiliare Fondiar-SAI S.r.l.	100,00% 33,063%
DDOR Novi Sad Ado - Novi Sad	RSD	2.579.597.280		Fondiar-SAI S.p.A.	99,99% 33,059%
DDOR Re Joint Stock Reinsurance Company - Novi Sad (Serbia)	Euro	5.000.000		The Lawrence Re Ireland Ltd DDOR Novi Sad ADO	99,998% 0,002% 33,063%
Dialogo Assicurazioni S.p.A. - Milan	Euro	8.831.774.000		Milano Assicurazioni S.p.A.	99,85% 20,981%
Dialogo Vita S.p.A. (formerly-Fondiprev S.p.A.) - Florence	Euro	6.240.000		Fondiar-SAI S.p.A. Milano Assicurazioni S.p.A.	40,00% 60,00% 25,832%
Donatello Day Surgery S.r.l. - Florence	Euro	20.000		Casa di Cura Villanova S.r.l.	100,00% 33,063%
Dominion Insurance Holding Ltd - London (GB)	GBP	35.438.267,65		Finsai International S.A.	100,00% 33,059%
Europa Tutela Giudiziaria S.p.A. - Milan	Euro	5.160.000		Fondiar-SAI S.p.A.	100,00% 33,063%
Eurosai Finanziaria di Partecipazioni S.r.l. - Turin	Euro	5.265.600		Fondiar-SAI S.p.A.	100,00% 33,063%
Finadin - S.p.A. Finanziaria di Investimenti - Milan	Euro	100.000.000	60,00%	Saifin-Saifinanziaria S.p.A.	40,00% 73,225%
Finitalia S.p.A. - Milan	Euro	15.376.285		BANCA SAI S.p.A.	100,00% 33,063%
Finsai International S.A. - Luxembourg	Euro	44.131.900		Fondiar-SAI S.p.A. Sainernational S.A. Sailux SA	19,92% 43,92% 36,15% 33,059%
Florence Centro di Chirurgia Ambulatoriale S.r.l. - Florence	Euro	10.400		Casa di Cura Villanova S.r.l.	100,00% 33,063%
Fondiar Nederland B.V. - Amsterdam (NL)	Euro	19.070		Fondiar-SAI S.p.A.	100,00% 33,063%
Gruppo Fondiar-SAI Servizi S.c.r.l. - Milan	Euro	5.200.000		Fondiar-SAI S.p.A. Milano Assicurazioni S.p.A. Systema Vita S.p.A. Systema Compagnia S.p.A. Dialogo Assicurazioni S.p.A. Europa Tutela giudiziaria S.p.A. Finitalia S.p.A. Capitalia Assicurazioni S.p.A. BANCA SAI S.p.A. Dialogo Vita S.p.A. Pronto Assistance S.p.A. Sai Asset Management SGR S.p.A. Sai Mercati Mobiliari Sim S.p.A. Liguria Assicurazioni S.p.A. Liguria Vita S.p.A. Pronto Assistance Servizi S.p.A. Sistemi Sanitari Scrl BIM VITA S.p.A.	64,27% 34,19% 0,02% 0,18% 0,20% 0,02% 0,02% 0,02% 0,02% 0,02% 0,02% 0,02% 0,90% 0,02% 0,02% 0,02% 0,02% 0,02% 0,02% 0,02% 0,02% 0,02%
Fondiar-SAI S.p.A. - Florence	Euro	167.043.712	28,00%	Finadin - S.p.A. Finanziaria di Investimenti	3,03% 33,063%
Immobiliare Fondiar-SAI S.r.l. - Milan	Euro	20.000		Fondiar-SAI S.p.A.	100,00% 33,063%
Immobiliare Litorella S.r.l. - Milan	Euro	10.329		Immobiliare Fondiar-SAI S.r.l.	100,00% 33,063%
Immobiliare Lombarda S.p.A. - Milan	Euro	47.253.668,01		Fondiar-SAI S.p.A. Milano Assicurazioni S.p.A.	64,17% 35,83% 28,745%
Immobiliare Milano Assicurazioni S.r.l. - Milan	Euro	20.000		Milano Assicurazioni S.p.A.	100,00% 21,011%
Iniziativa Valorizzazioni Edili - IN.V.ED. S.r.l. - Rome	Euro	10.329		Immobiliare Fondiar-SAI S.r.l.	100,00% 33,063%
Insedamenti Avanzati Nel Territorio I.A.T. S.p.A. - Rome	Euro	2.580.000		Immobiliare Fondiar-SAI S.r.l.	100,00% 33,063%
International Strategy S.r.l. - Turin	Euro	26.000	100,00%		100,00%
Itiberia Inversiones Financieras SL - Madrid	Euro	122.193.595		Fondiar-SAI S.p.A.	100,00% 33,063%
Italresidence S.r.l. - Pieve Emanuele (Mi)	Euro	100.000		Atahotels S.p.A.	100,00% 27,158%
Liguria Società di Assicurazioni S.p.A. - Segrate (Mi)	Euro	36.800.000		Milano Assicurazioni S.p.A.	99,97% 21,004%
Liguria Vita S.p.A. - Segrate (Mi)	Euro	6.000.000		Liguria Assicurazioni SpA	100,00% 20,773%
Marina di Loano S.p.A. - Milan	Euro	5.536.000		Immobiliare Fondiar-SAI S.r.l.	100,00% 33,063%
Masaccio S.r.l. - Milan	Euro	10.000		Immobiliare Fondiar-SAI S.r.l.	100,00% 33,063%

Name - Registered office	Currency	Share capital	Percentage held		Group interest	
			Direct	Indirect		
Meridiano Aurora S.r.l. - Milan	Euro	10.000		Fondiarìa-SAI S.p.A.	100,00%	33,063%
Meridiano Bellarmino S.r.l. - Turin	Euro	10.000		Immobiliare Fondiarìa-SAI S.r.l.	100,00%	33,063%
Meridiano Bruzzano S.r.l. - Turin	Euro	10.000		Immobiliare Fondiarìa-SAI S.r.l.	100,00%	33,063%
Meridiano Orrizonti S.r.l. - Milan	Euro	10.000		Milano Assicurazioni S.p.A.	100,00%	21,011%
Meridiano Primo S.r.l. - Turin	Euro	10.000		Immobiliare Fondiarìa-SAI S.r.l.	100,00%	33,063%
Meridiano Quarto S.r.l. - Turin	Euro	10.000		SAI Holding Italia S.p.A.	100,00%	33,063%
Meridiano Secondo S.r.l. - Turin	Euro	10.000		Immobiliare Fondiarìa-SAI S.r.l.	100,00%	33,063%
Milano Assicurazioni S.p.A. - Milan	Euro	305.851.341,12	0,23%	Fondiarìa-SAI S.p.A.	60,58%	
				Fondiarìa Nederland BV	1,50%	
				Popolare Vita S.p.A.	0,02%	
				Pronto Assistance S.p.A.	0,05%	
				SAI Holding Italia S.p.A.	0,51%	
				SAI International	0,20%	21,011%
Mizar S.r.l. - Rome	Euro	10.329		Immobiliare Fondiarìa-SAI S.r.l.	100,00%	33,063%
Nuova Impresa Edificatrice Moderna S.r.l. - Rome	Euro	10.329		Immobiliare Fondiarìa-SAI S.r.l.	100,00%	33,063%
Nuove Iniziative Toscane S.r.l. - Florence	Euro	26.000.000		Fondiarìa-SAI S.p.A.	96,88%	
				Milano Assicurazioni S.p.A.	3,12%	32,686%
Popolare Vita S.p.A. - Verona	Euro	179.600.005		Fondiarìa-SAI S.p.A.	24,39%	
				SAI Holding Italia S.p.A.	25,61%	16,531%
Pontorno S.r.l. (formerly Cos.ed S.p.A. in liquidation)	Euro	50.000		Immobiliare Fondiarìa-SAI S.r.l.	100,00%	33,063%
Progetto Bicocca La Piazza S.r.l. in liquidation - Milan	Euro	3.151.800		Immobiliare Fondiarìa-SAI S.r.l.	74,00%	24,466%
Pronto Assistance S.p.A. - Turin	Euro	2.500.000		Fondiarìa-SAI S.p.A.	100,00%	33,063%
Pronto Assistance Servizi S.p.A. - Turin	Euro	516.000		Fondiarìa-SAI S.p.A.	37,40%	
				Milano Assicurazioni S.p.A.	28,00%	
				Dialogo Assicurazioni S.p.A.	24,00%	
				Liguria Società di Assicurazioni S.p.A.	2,20%	
				Capitalia Assicurazioni S.p.A.	0,15%	
				Systema Compagnia di Assicurazioni S.p.A.	0,35%	
				Banca SAI S.p.A.	0,10%	
				Sistemi Sanitari S.c.r.l.	0,10%	
				Pronto Assistance S.p.A.	7,70%	26,435%
Ristrutturazioni Edili Moderne - R.EDIL.MO S.r.l. - Rome	Euro	10.329		Immobiliare Fondiarìa-SAI S.r.l.	100,00%	33,063%
SAI Asset Management SGR SpA (formerly Effe Gestioni) - Milan	Euro	5.000.000		Fondiarìa-SAI S.p.A.	100,00%	33,063%
SAI Holding Italia S.p.A. - Turin	Euro	50.000.000		Fondiarìa-SAI S.p.A.	100,00%	33,063%
SAI Investimenti S.G.R. S.p.A. - Turin	Euro	3.913.588	20,00%	Fondiarìa-SAI S.p.A.	51,00%	
				Milano Assicurazioni S.p.A.	29,00%	42,956%
Sai Mercatili Mobiliari Sim S.p.A. - Milan	Euro	20.000.000		Fondiarìa-SAI S.p.A.	100,00%	33,063%
Saigricola S.p.A. Società Agricola - Turin	Euro	66.000.000		Fondiarìa-SAI S.p.A.	92,01%	
				Milano Assicurazioni S.p.A.	6,80%	
				Pronto Assistance S.p.A.	1,19%	32,245%
Saifin - Saifinanziaria S.p.A. - Turin	Euro	102.258.000		Fondiarìa-SAI S.p.A.	100,00%	33,063%
SAILUX S.A. - Luxembourg	Euro	30.000.000		Saifin - Saifinanziaria S.p.A.	99,99%	
				Finsai International	0,01%	33,063%
Saint George Capital Management S.p.A. - Lugano (CH)	Sw.fr.	500.000		Banca Gesfid S.A.	100,00%	33,063%
Sainternational S.A. - Luxembourg	Euro	154.000.000		Fondiarìa-SAI S.p.A.	99,99%	33,059%
Santa Maria del Fico S.r.l. - Umbertide (PG)	Euro	78.000		Saigricola S.p.A. Società agricola	100,00%	32,229%
Scontofin S.A. - Luxembourg	Euro	75.000		Finadin - S.p.A. Finanziaria di Investimenti	70,00%	
				Sailux S.A.	19,00%	51,258%
Service Gruppo Fondiarìa-Sai S.r.l. - Florence	Euro	104.000		Fondiarìa-SAI S.p.A.	70,00%	
				Milano Assicurazioni S.p.A.	30,00%	29,449%
Siat Società Italiana Assicurazioni e Riassicurazioni S.p.A. - Genoa	Euro	38.000.000		SAI Holding Italia S.p.A.	94,69%	31,307%
SIM Etoile S.A.S. - Paris	Euro	3.049.011,34		Fondiarìa-SAI S.p.A.	99,99%	33,059%
Sintesi Seconda S.r.l. - Milan	Euro	10.400		Immobiliare Milano Assicurazioni S.r.l.	100,00%	21,011%
Sistemi Sanitari S.c.r.l. - Milan	Euro	1.000.000		Fondiarìa-SAI S.p.A.	78,97%	
				Milano Assicurazioni S.p.A.	19,63%	
				Banca SAI S.p.A.	0,04%	
				BIM VITA S.p.A.	0,01%	
				Dialogo Assicurazioni S.p.A.	0,02%	
				Finitalia S.p.A.	0,02%	
				Liguria Società di Assicurazioni S.p.A.	0,22%	
				Liguria Vita S.p.A.	0,02%	
				Popolare Vita S.p.A.	0,51%	
				Pronto Assistance S.p.A.	0,03%	
				Pronto Assistance Servizi S.p.A.	0,41%	
				Sai SIM S.p.A.	0,01%	
				Systema Compagnia di Assicurazioni S.p.A.	0,01%	
				Systema Vita S.p.A.	0,01%	
				SAI Asset Managemnt S.p.A.	0,01%	30,526%

Name - Registered office	Currency	Share capital	Percentage held		Group interest	
			Direct	Indirect		
Società Edilizia Immobiliare Sarda S.E.I.S. S.p.A. - Rome	Euro	3.877.500		Immobiliare Fondiaria-SAI S.r.l.	51,67%	17,083%
Sogent S.r.l. - Milan	Euro	100.000		Milano Assicurazioni S.p.A.	100,00%	21,011%
SRP Asset Management S.A. - Lugano	Sw.fr.	1.000.000		SAI International S.A.	100,00%	33,059%
Stimma S.r.l. - Florence	Euro	10.000		Fondiaria-SAI S.p.A.	100,00%	33,063%
Systema Compagnia di Assicurazioni S.p.A. - Milan	Euro	5.164.600		Milano Assicurazioni S.p.A.	100,00%	21,011%
SystemaVita S.p.A. (formerly Effe Vita S.p.A.) - Milan	Euro	6.240.000		Fondiaria-SAI S.p.A.	100,00%	33,063%
The Lawrence Re Ireland Ltd - Dublin (IRL)	Euro	635.000		Fondiaria Nederland B.V.	100,00%	33,063%
The Lawrence Life Assurance Co. Ltd - Dublin (IRL)	Euro	802.886		Popolare Vita S.p.A.	100,00%	16,531%
Tikal R.E. Fund				Fondiaria-SAI S.p.A.	59,65%	
				Milano Assicurazioni S.p.A.	35,36%	27,150%
Trenno Ovest S.r.l. - Turin	Euro	10.000		Immobiliare Fondiaria-SAI S.r.l.	100,00%	33,063%
Villa Ragionieri S.r.l. - Florence	Euro	78.000		Fondiaria-SAI S.p.A.	100,00%	33,063%

Companies valued at book value

Agrisai S.r.l. - Turin	Euro	61.000		Saigricola S.p.A. Società agricola	99,00%	
				Saifin - Saifinanziaria S.p.A.	1,00%	32,236%
Ata Benessere S.r.l. in liquidation	Euro	100.000		Atahotels S.p.A.	100,00%	27,158%
Atahotels Suisse SA	CHF	100.000		Atahotels S.p.A.	98,00%	26,616%
DDOR AUTO DOO	Euro	9.260,97		DDOR Novi Sad ADO	100,00%	33,059%
DDOR Penzija Plus AD	RSD	102.606,250		DDOR Novi Sad ADO	100,00%	33,059%
Global Card Service S.r.l. - Segrate (MI)	Euro	98.800		Liguria Vita SpA	51,00%	
				Liguria Assicurazioni	44,00%	19,735%
Hotel Terme di Saint Vincent Srl - Aosta	Euro	15.300		Atahotels S.p.A.	100,00%	27,158%
Investimenti Mobiliari S.r.l. - Milan	Euro	90.000	100,00%			100,000%
Ital H & R S.r.l. - Pieve Emanuele (MI)	Euro	50.000		Italresidence S.r.l.	100,00%	27,158%
Partecipazioni e Investimenti S.r.l. - Milan	Euro	90.000	100,00%			100,000%
Partecipazioni Mobiliari S.r.l. - Milan	Euro	90.000	100,00%			100,000%
Tour Executive S.p.A.	Euro	500.000		Atahotels S.p.A.	100,00%	27,158%

Name - Registered office	Currency	Share capital	Percentage held		Group interest
			Direct	Indirect	

ASSOCIATES

Companies valued using the equity method

A 7 S.r.l. - Milan	Euro	200.000		Immobiliare Milano Assicurazioni S.r.l.	20,00%	4,202%
Borsetto S.r.l. - Turin	Euro	2.971.782,00		Immobiliare Milano Assicurazioni S.r.l.	44,93%	9,441%
Butterfly AM S.a.r.l. - Luxembourg	Euro	29.165,00		Immobiliare Fondiaria-SAI S.r.l.	28,57%	9,446%
City Life S.r.l. - Milan	Euro	150.000		Immobiliare Milano Assicurazioni S.r.l.	26,66%	5,603%
Consulenza Aziendale per l'informatica SCAI S.p.A. - Turin	Euro	1.040.000		Fondiaria-SAI S.p.A.	30,07%	9,942%
formerly Var S.c.s. - Luxembourg	Euro	2.509.521	20,00%	Fondiaria-SAI S.p.A.	18,00%	
				Immobiliare Milano Assicurazioni S.r.l.	10,00%	28,054%
Fin. Priv. S.r.l. - Milan	Euro	20.000		Fondiaria-SAI S.p.A.	28,57%	9,446%
Fondiaria-SAI Servizi Tecnologici S.r.l. - Florence	Euro	120.000		Fondiaria-SAI S.p.A.	51,00%	16,862%
Rho property fund				Fondiaria-SAI S.p.A.	31,18%	
				Milano Assicurazioni S.p.A.	10,53%	12,522%
Garibaldi S.C.S. - Luxembourg	Euro	604.650		Milano Assicurazioni S.p.A.	48,00%	10,086%
HEDF isola S.c.s. - Luxembourg	Euro	200.000		Milano Assicurazioni S.p.A.	43,00%	9,036%
IGLI S.p.A. - Milan	Euro	24.120.000		Immobiliare Fondiaria-SAI S.r.l.	16,67%	
				Immobiliare Milano Assicurazioni S.r.l.	16,67%	9,012%
Metropolis S.p.A. - Florence	Euro	1.120.000		Immobiliare Milano Assicurazioni S.r.l.	29,73%	6,248%
Penta Domus SpA - Turin	Euro	120.000		Immobiliare Milano Assicurazioni S.r.l.	20,00%	4,202%
Progetto Alfiere S.p.A. - Rome	Euro	120.000		Immobiliare Fondiaria-SAI S.r.l.	19,00%	6,282%
Servizi Immobiliari Martinelli S.p.A. - Cinisello Balsamo (MI)	Euro	100.000		Immobiliare Milano Assicurazioni S.r.l.	20,00%	4,202%
Società Funivie del Piccolo San Bernardo S.p.A. - La Thuile (AO)	Euro	9.213.417,50		Immobiliare Fondiaria-SAI S.r.l.	27,38%	9,053%
Sviluppo Centro Est S.r.l. - Rome	Euro	10.000,00		Immobiliare Milano Assicurazioni S.r.l.	40,00%	8,404%
Tre Torri Contractor S.c.r.l. - Milan	Euro	10.000,00		Immobiliare Lombarda S.p.A.	50,00%	14,329%
Valore Immobiliare S.r.l. - Milan	Euro	10.000,00		Milano Assicurazioni S.p.A.	50,00%	10,507%

Companies valued at book value

MB Venture Capital Fund I Participating Company DI N.V. - Amsterdam	Euro	50.000		Fondiaria-SAI S.p.A.	30,00%	9,919%
Quintogest S.p.A. (formerly Quinto Italia S.p.A.) - Milan	Euro	3.000.000		Fondiaria-SAI S.p.A.	49,00%	16,201%
Società Finanz. Per Le Gest. Assicurative S.r.l. in liquid. - Rome	Euro	47.664.600		Fondiaria-SAI S.p.A.	14,91%	
				Milano Assicurazioni S.p.A.	7,50%	6,504%
Soimpianti - Organismi di Attestazione S.p.A. in liquidation - Milan	Euro	84.601		Fondiaria-SAI S.p.A.	21,64%	7,154%
Ufficio Centrale Italiano S.c.a.r.l. - Milan	Euro	510.000		Fondiaria-SAI S.p.A.	14,14%	
				SIAT S.p.A.	0,10%	
				Milano Assicurazioni S.p.A.	10,98%	
				Liguria Assicurazioni SpA	0,31%	7,074%

PART B

INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Details of and further notes to the financial statements are presented below. Further details are provided in appendices pursuant to Regulation 7/07 of the Supervisory Authority at the end of this information document.

STATEMENT OF FINANCIAL POSITION – ASSETS

1. INTANGIBLE ASSETS

The breakdown is as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Goodwill	1,656,682	1,704,396	(47,714)
Other intangible assets	303,614	259,282	44,332
Total	1,960,296	1,963,678	(3,382)

Goodwill

In accordance with IFRS 3.75, the reconciliation of the book value of goodwill at the beginning of the year and at the end of the year is reported below.

<i>(values in € thousands)</i>	31.12.09	31.12.08
Value at start of year	1,704,396	1,540,000
Permanent losses in value recorded in previous years (-)	(10,981)	(2,067)
Increases in the year	10,577	175,377
Reduction for sale or recording of available-for-sale assets	(20,845)	-
Losses in value recorded in the year	(25,063)	(8,914)
Exchange difference	(1,402)	-
Other changes	-	-
Value at year-end	1,656,682	1,704,396

The item “Reductions for disposals and for registrations of available-for-sale assets” refers to the deconsolidation of Bipiemme Vita, which is being held for sale.

The increases principally relate to the acquisition of the Atahotels Group.

Impairment losses refer to impairments made on Capitalia Assicurazioni, for Euro 21,650 thousand, Atahotels, for Euro 2,736 thousand, and Euro 677 thousand on goodwill relating to the Profilo Life portfolio.

The reduction of the consolidation difference recorded for DDOR Novi Sad ADO relates to the appreciation of the Euro against the Serbian Dinar.

Goodwill is broken down as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Goodwill deriving from the incorporation of La Fondiaria S.p.A.	504,763	504,763	-
Goodwill recorded in consolidated accounts of Milano Assicurazioni S.p.A.	167,379	167,379	-
Other goodwill	65,499	7,959	57,540
Consolidation differences	919,041	1,024,295	(105,254)
Value at year-end	1,656,682	1,704,396	(47,714)

The details of goodwill are shown below:

(values in € thousands)

Goodwill of Premafin Group	31.12.09	31.12.08
Fondiaria-SAI S.p.A.: incorporation of Fondiaria Assicurazioni in 2002	276,592	276,592
Fondiaria-SAI S.p.A.: company transferral in 1990	162,684	162,684
Fondiaria-SAI S.p.A.: incorporation of Fondiaria Assicurazioni in 1995	65,488	65,488
Milano Assicurazioni S.p.A.: acquisition of CARD premium portfolio in 1991	33,053	33,053
Milano Assicurazioni S.p.A.: incorporation of Lloyd Internazionale in 1991	17,002	17,002
Milano Assicurazioni S.p.A.: acquisition of Latina Assicurazioni business unit in 1992	34,522	34,522
Milano Assicurazioni S.p.A.: transferral of the Life portfolio of La Previdente Assicurazioni in 1992	16,463	16,463
<i>Consolidation difference:</i>		
on consolidation of Milano Assicurazioni S.p.A. on Milano Assicurazioni S.p.A. for the former Previdente Vita	179,201	179,201
on Milano Assicurazioni S.p.A. for Dialogo Assicurazioni	3,275	3,275
	49	49
Total goodwill of the Fondiaria-SAI Group from the combination of the Fondiaria Group	788,329	788,329
Goodwill of the Milano Group before the combination of the Fondiaria Group		
Milano Ass.ni: acquisition of the portfolio of MAA Ass.ni by Nuova MAA	65,134	65,134
Milano Ass.ni: acquisition by SIS of the Ticino portfolio in 1995	152	152
Total	853,615	853,615

(values in € thousands)

Other goodwill	31.12.09	31.12.08
Goodwill relating to the transfer in 2001 of the portfolio of the subsidiary Profilo Life	677	1,354
Goodwill relating to the transfer in 2001 of the portfolio of Maa Vita, subsequently incorporated into Milano	1,052	1,052
Goodwill on Sistemi Sanitari S.c.r.l. for the acquisition of business unit	530	530
Goodwill on Marina di Loano S.p.A. for the acquisition of restaurant company	38	0
Goodwill on Atahotels	579	0
<i>Consolidation difference:</i>		
On Liguria Assicurazioni Group	68,793	68,793
On Capitalia Assicurazioni	21,116	42,766
On SASA Danni	8,424	8,424
On Immobiliare Fondiaria-SAI S.r.l. for Marina di Loano S.p.A.	5,908	5,908
On Milano Assicurazioni for Bipiemme Vita S.p.A.	0	20,845
On Florence Centro di Chirurgia Ambulatoriale S.r.l.	1,279	1,279
On Popolare Vita S.p.A.	461,308	461,308
On Fondiaria-SAI S.p.A.:	63,675	63,675
On DDOR Novi Sad ADO	162,464	174,847
On Atahotels S.p.A.	7,224	0
Total other goodwill	803,067	850,781
Total Group goodwill	1,656,682	1,704,396

Introduction

The notes below report the principal assumptions on which the impairment tests were carried out for the year 2009 on the goodwill recorded in the statement of financial position.

The Group verifies the recovery of the goodwill allocated to the Cash Generating Units (CGUs) on at least an annual basis or more frequently if there are signs of impairment.

In accordance with IAS 36 - *Impairment in asset value*, IAS 38 *Intangible assets* and IFRS 3 *Business combinations*, the goodwill has an indefinite useful life and is no longer systematically amortised, but subject to an impairment test in order to identify the existence of any loss in value.

The goodwill subject to allocation during first-time adoption at the transition date to IFRS - IAS (1 January 2004) was equal to the total amount of the goodwill “inherited” at 31 December 2003, as no recalculation of the business combinations was made before that date, as permitted by IFRS 1.

Goodwill, irrespective of its origin, was allocated to the CGUs expected to benefit from synergies deriving from the business combination, in accordance with paragraph 80 of IAS 36.

Book value of CGUs for goodwill existing at 1 January 2004

The goodwill existing at the date of transition to IAS/IFRS almost entirely related to the business combination between the Sai Group and the Fondiaria Group in 2002.

Goodwill pre-existing at the time of the merger, deriving from the acquisition by Nuova Maa (subsequently incorporated into Milano) of the business Maa Assicurazioni, was added to this.

Six Cash Generating Units (CGUs) were identified as significant beneficiaries of the synergies of the combination, represented by the Life and Non-Life classes operating with the Sai, Fondiaria and Milano Assicurazioni brands.

This identification also complies with the Group management reporting system, in which the CGUs represent the minimum level at which goodwill is monitored for internal management control purposes, in line with the segment definition based on the primary representation system required by IFRS 8.

The Group has different sales networks, each characterised by a distinct brand: the existence of an active market for the products of the brands made it reasonably possible to separate the CGUs based not only on the classes exercised, but also based on the brands themselves.

The book value of the CGUs was calculated in line with the calculation of the cash flows suitable to identify recoverable amount: therefore if the future cash flow streams of the CGU include the inflows and outflows related to determined assets and liabilities, these are included in the book value of the CGU.

At 31 December 2009 the goodwill allocated to the CGUs was therefore the same as that allocated on first-time adoption and breaks down as follows:

(in € thousands)

CGU	Fondiaria-SAI				Milano Assicurazioni		Total
	SAI Non-Life	Fondiaria Non-Life	SAI Life	Fondiaria Life	Milano Non-Life	Milano Life	
	1	2	3	4	5	6	
Goodwill allocated	273,898	138,872	50,971	41,023	296,060	52,791	853,615

As the goodwill recorded represents the goodwill purchased by Fondiaria-SAI on the basis of the proportion of its shareholding and not the total goodwill controlled as a result of the business combination, to verify the reduction in value of a CGU its book value was figuratively adjusted before being compared with its recoverable amount.

This is obtained by adding the portion of the book value of goodwill pertaining to minority interests to the book value of goodwill allocated to the unit. In particular, account was taken of the fact that the investment of Sai in La Fondiaria at the time of the merger was 28.96% and that the investment of Fondiaria-SAI in Milano Assicurazioni was 53.74%. This approach, pursuant to paragraph 92 of IAS 36, increases the book value of the CGU.

The results of this grossing up of the goodwill are shown below:

(in € thousands)

CGU	Fondiaria-SAI				Milano Assicurazioni		Total
	SAI Non-Life	Fondiaria Non-Life	SAI Life	Fondiaria Life	Milano Non-Life	Milano Life	
	1	2	3	4	5	6	
Grossed-up allocated goodwill	642,066	325,541	119,484	96,165	423,062	80,047	1,686,365

In particular, the grossing up results from recognition of the minority portion of the goodwill arising from the business combination with La Fondiaria in 2002 (71.04%) and consequently with Milano Assicurazioni (46.26%).

Other goodwill arising after 1 January 2004

This concerns the goodwill deriving from the principal business combinations undertaken after 1 January 2004, i.e.:

(values in € thousands)

Goodwill allocated	2009	2008
Gruppo Liguria Assicurazioni (100%)	68,793	68,793
Capitalia Assicurazioni S.p.A. (51%)	21,116	42,766
BPM Vita S.p.A. (51%)	-	20,845
Florence Centro di Chirurgia Ambulatoriale S.r.l. (100%)	1,279	1,279
DDOR (99.99%)	461,308	461,308
Atahotels (100%)	162,464	174,847

The Group considered it appropriate to identify the companies themselves as CGUs.

Recoverable amount of the CGUs

The recoverable amount of the CGUs is the higher of fair value less selling costs and value in use. The fair value of CGUs is the amount obtainable from its sale in an arm's-length transaction between knowledgeable and willing parties, less disposal costs.

As in 2008, due to the sharp decrease in the share price of Fondiaria-SAI and Milano, the test based on fair value, which links goodwill to the share price of the entities, does not express the real value of the company. Partly due to the financial crisis, the share prices represent values even lower than pro-rata equity. To calculate recoverable value and make the subsequent comparison with the book value of the CGUs the amount in use was used, which allows for an impairment judgement based on the principles of economic rationality. Note in this regard that IAS 36, which sets out the method for calculating the recoverable amount described, does not express any preference between value in use and realisable value.

The methods used to calculate amount in use are based on the application of financial methods, such as the DCF or the DDM, which take into account cash flow forecasts in the industrial plans of the CGU subject to valuation, also taking into account their terminal value and/or capital excess/deficit in relation to the minimum capital requirements.

The approach utilised is the "equity side" approach, which uses the cost of own capital (K_e) as a discount rate.

In previous years, the WACC (weighted average cost of capital) discount rate was used, which took account of both equity cost and debt cost.

Given that, for an insurance Group, financial debt is principally represented by subordinated liabilities, useful in integrating the elements comprising the solvency margin, the change from an asset side to an equity side approach would not have produced, in the case of the Fondiaria-SAI Group, substantially different effects considering:

- the cost of the subordinated liabilities
- the consistency between the discounted cash flows and the rates used.

In accordance with best practice the K_e percentage use was net of tax and applied to cash flows represented by net profits or dividends (and thus in line with the rate used).

The main assumptions used in the impairment test are as follows:

CGU	Method	Flows considered	Ke%	Terminal value	Growth factor %
FONDIARIA-SAI	Sum Of the Parts				
Non-Life segment	DDM	Plan 2010-11	8.76	Yes	2
Life segment	Appraisal Value	Plan 2010-11	8.76	No	-
Real Estate segment	PNR	2009 Accounts	-	-	-
MILANO ASS.NI	Sum Of the Parts				
Non-Life segment	DDM	Plan 2010-11	8.76	Yes	2
Life segment	Appraisal Value	Plan 2010-11	8.76	No	-
Real Estate segment	PNR	2009 Accounts	-	-	-
CAPITALIA ASS.NI	DCF	Estimate 2010-14	8.12	Yes	-
GRUPPO LIGURIA ASS.NI	DDM	Plan 2010-12	8.76	Yes	2
DDOR NOVI SAD	DCF	Plan 2010-14	11.75	Yes	-
POPOLARE VITA	DCF	Plan 2010-17	8.12	No	-
FLORENCE	DCF	Plan 2010-12	8.12	Yes	-
ATAHOTELS	DCF	Plan 2010-12	9.40	*	Yes
MARINA DI LOANO	DCF	Plan 2010-13	8.50	*	No

* this relates to Wacc

Regarding the cash flows utilised in the valuations, the table above shows that all the CGUs have long-term business plans approved recently or in any case updated to take into account changes in the marketplace due to the current economic-financial crisis. The calculation of terminal value is generally based on the discounting of the perpetual yield, whose growth factors are also reported in the table above.

The recoverable amount of the CGUs relating to Fondiaria-SAI and Milano Assicurazioni was calculated using an analytical approach based on the Sum-of-the-Parts method.

According to this approach, the recoverable amount of a CGU (or group of CGUs) is represented by the sum of the economic value attributable to the various business lines.

The recoverable amount of the Non-Life, Life and Real Estate segments was thus valued separately.

Specifically:

1. The Non-Life segment was valued with the DDM method (Dividend Discount Model), using as a reference the expected dividend flow for the period 2010-2011 as per the industrial plan of the Fondiaria-SAI Group for the period 2009-2011. Underlying the valuations made, in addition to the parameters reported in the table, are a sustainable combined ratio target of 98.5% and a minimum capital solvency ratio of 175%, this latter being extremely prudent for the purposes of the valuation approach.
2. The Life segment was valued under the Appraisal Value method, i.e. as the sum of adjusted equity, the value in force (VIF) and goodwill attributable to new future business.
3. The Real Estate and Other Activities segments were valued using the adjusted net equity method, which takes into account the market value of the property, net of the notional tax impact.

The above valuation results in the calculation of a recoverable amount per share which, in being higher than the book value per share, indirectly confirms the value of the goodwill recorded.

The only exception in the calculation of cash flows to be discounted is represented by the assumptions underlying the impairment test for the subsidiary Capitalia

Assicurazioni. The investee company does not have a long-term business plan approved by its management bodies, with the exception of the original plan on acquisition.

This plan was not considered adequate to identify the cash flows generated by the CGU in light of the actual results in the past two years. In fact:

- The partnership agreement that was signed with Capitalia was based on the achievement of set targets in the plan through its distribution network.

Following the incorporation by the UniCredit Group there was a slowdown in the project.

- Due to the economic crisis the investee company significantly changed its product mix.

Due to the crisis in the property sector, there was a steep reduction in the placement of fire policies (related to the purchase of property) in favour of other retail products with lower margins.

Since the subsidiary did not have a business plan updated for current scenarios, cash flows taken from the 2009 actual results were used, excluding any changes arising from improvement and/or optimisation of business performance – optimisation which formed the basis for calculating the price paid for the acquisition of Capitalia Assicurazioni. 2009 cash flows were projected assuming a growth rate of 3%, in line with the growth rate recorded by the subsidiary in the past year.

In relation to the subsidiary Liguria Assicurazioni, distributable cash flows were determined from the business plan approved by the subsidiary for the period 2010-2012, taking into account a solvency ratio of 150% of the minimum required, as well as a sustainable combined ratio of 97%.

With regard to surplus assets, account was taken of the purchase price revision clause based on the verification of the technical reserves, relating to generations prior to the purchase, as well as the deferred tax assets not recorded in the financial statements.

For DDOR Novi Sad, the impairment test was based on the expected flows of the 2010-2014 business plan approved by the Board of Directors. This is the first year in which a recoverability test was performed on goodwill, since DDOR was acquired in 2008 and, therefore, in the previous year, it was deemed reasonable to identify the subsidiary's fair value at the purchase price.

This took into account the particularity of the company acquired and the development potential of the Serbian insurance market, therefore incorporating a significant control premium.

In view of the test and of the forecasts in the plan, no impairment was recorded.

In accordance with paragraph 54 of IAS 36, the discount rate used a K_e in line with the foreign currency in which the future cash flows were estimated.

For Popolare Vita the impairment test was based on the expected cash flows of the industrial plan attached to the shareholders' agreement. The time period of the plan in question is over five years, in line with the duration of the distribution agreement signed with the banking partner. The exit value was determined based on a simplified method which resulted in the identification of an appraisal value on maturity, in line with the cash flows of the plan and the agreements with the counterparty banks.

The goodwill test of the Atahotels investee company was based on the DCF, asset side version, given the particularities of the hotel business.

The plan used relates to the period 2010-2012 and includes some projects related to organisational efficiency, particularly cost containment and further initiatives for the management of the buildings, without however taking into consideration the benefits from the 2015 Expo (the company manages 11 hotels in Milan).

For the project led by Marina di Loano S.p.A. to build the port at Loano, the impairment test was carried out by discounting the revenue cash flow streams, assuming the sale of approximately 44% of the berths within three years and the temporary rental of the remainder and rental of the commercial activities from 2011. The discount rate used was 8.5%; the costs relating to the construction still to be undertaken and the management of the project were subtracted from this discounted value, thus determining the current value of the works realised to 31 December 2009. The value thus determined was higher than the book value of the project, thus justifying the goodwill recorded.

For Florence Centro Chirurgia Ambulatoriale S.r.l. the test was based on the expected cash flows from the business plan approved by the subsidiary for the period 2010-2012.

With regard to Bipiemme Vita, the disappearance of the goodwill allocated and recorded in the previous year means that the equity investment is treated in accordance with IFRS 5.

Excess in the recoverable amount compared with the value of the CGU

The following table shows the comparison between the recoverable amount of the principal CGUs and the book value, noting that the values shown refer to the Group share:

<i>(values in € millions)</i>	Recoverable amount	Book value	Excess
FONDIARIA-SAI	3,393	2,716	677
MILANO AS.NI	1,463	1,351	112
CAPITALIA ASS.NI	28	28	0
GRUPPO LIGURIA ASS.NI	152	138	14
DDOR NOVI SAD	352	223	129
POPOLARE VITA	659	624	35
ATAHOTELS	23	23	0

All of the valuations made were subject to sensitivity analysis.

Specifically, the sensitivity analyses on the value of Fondiaria-SAI and Milano Assicurazioni assumed a differential on the sustainable combined ratio of 0.5% and a differential on the solvency requirement of 12.5%. With regard to Milano Assicurazioni, a combined increase in the combined ratio of 0.5% and a simultaneous increase in the adjusted solvency requirement to 187.5% would result in a recoverable amount slightly below the book value.

With regard to the other CGUs, the sensitivity analyses were generally undertaken assuming a differential on the discount rate and on increases/decreases in the expected budgets for each company. The results of the analyses show a recoverable amount higher than the book value, with the exception of Popolare Vita, where a combined increase in the discount rate of 1% and an increase of 2% in average abandonment/redemption would result in a recoverable amount just under its book value.

Other Intangible Assets

Other intangible assets amount to Euro 303,614 thousand (Euro 259,282 thousand at 31 December 2008) and are broken down by type as follows:

<i>(values in € thousands)</i>	Amortisation and impairment			
	Gross book value	provision	Net value 2009	Net value 2008
Studies and research expenses	211,440	(180,101)	31,339	34,167
Utilisation rights	15,482	(9,454)	6,028	3,703
Other intangible assets	407,207	(140,960)	266,247	221,412
Total	634,129	(330,515)	303,614	259,282

None of the above intangible assets were generated internally.

The above intangible assets have a definite useful life and are therefore amortised over their duration. Research costs relate to the capitalisation in 2009, and in previous years, of costs incurred to prepare IT technology and long-term applications. They are amortised over a period of three or five years based on the characteristics and useful life of the assets.

Most of these charges are sustained by the Consortium Fondiaria-SAI Servizi Group, which undertakes all the management of existing resources, assets and services already and new acquisitions relating to the operations of the Group.

The utilisation rights mainly reflect purchases of software licences by the Group. Their amortisation period is three years.

Intangible assets include the values relating to the customer portfolios acquired of the following companies:

<i>(values in € thousands)</i>	2009	2008	Change
Bipiemme Vita S.p.A.	0	87,837	(87,837)
Liguria Assicurazioni S.p.A.	24,246	31,341	(7,095)
Banca Gesfid S.A.	15,415	17,600	(2,185)
Popolare Vita S.p.A.	16,433	35,767	(19,334)
DDOR Novi Sad ADO	25,490	36,330	(10,840)
TOTAL	81,584	208,875	(127,291)

The change includes more than Euro 2 million in forex impacts on the Voba of DDOR Novi Sad.

These amounts relate to the recording of the Voba (Value Of Business Acquired) or, in the case of life companies, of the Vif (Value In Force), when business combinations take place.

Specifically, for Liguria Assicurazioni and DDOR, the Voba represents the cash flows which will be generated, within a defined period of time, by the insurance portfolio acquired. For Banca Gesfid, the Voba is determined through the valuation of customer lists, which take into account the historical brokerage margin value and the estimates made on the value of the assets managed and administered. These amounts were in turn related to customer loyalty, determined on the basis of approximate "survival rates". Finally, for Popolare Vita the value of the Vif was determined on the basis of actuarial methods applied to the portfolio on acquisition.

The amortisation of these assets was based on the time period of the expected returns: in particular, for DDOR, Liguria and Banca Gesfid the average amortisation is respectively five, seven and ten years.

For Popolare Vita the amortisation period was prudently reduced to three years considering that the portfolio acquired is in a run-off situation and that the company's expected profits are founded almost exclusively on the volume of new business.

The amounts recognised in the income statement for the above assets during 2009 amount to Euro 36,987 thousand (Euro 69,020 thousand in 2008). The Vif relating to the insurance portfolio of Bipiemme Vita was reclassified under non-current assets or disposal group classified as held for sale following the agreement, signed in December 2009, between Banca Popolare di Milano and Milano Assicurazioni, which provides for the sale to Banca Popolare di Milano of 51% of the share capital of Bipiemme Vita S.p.A. held by Milano Assicurazioni.

The reconciliation of the book values of the other intangible assets at the beginning and end of the year is shown below:

	Studies and research expenses		Utilisation rights		Other intangible assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<i>(values in € thousands)</i>								
Balance sheet value at start of year	34,167	34,582	3,703	2,436	221,412	242,987	259,282	280,005
Increases, of which:								
- purchased and generated internally	15,365	18,131	5,007	3,055	47,335	13,441	67,707	34,627
- from business combinations	-	-	22	1,133	52,198	44,623	52,220	45,756
- for changes in consolidation method	-	-	-	-	-	-	0	-
Decreases for sales and reclassifications	-	-	(12)	(643)	(6,384)	(8,427)	(6,396)	(9,070)
Impairment recorded in the year	-	-	-	-	(13)	-	(13)	-
Restatement recorded in the year	-	-	-	-	-	-	0	-
Amortisation and depreciation in the year	(18,193)	(18,546)	(2,637)	(2,278)	(45,737)	(73,253)	(66,587)	(94,077)
Exchange difference	-	-	(35)	-	(2,564)	2,041	(2,599)	2,041
Other changes	-	-	-	-	-	-	0	-
Value at year-end	31,339	34,167	6,028	3,703	266,247	221,412	303,614	259,282

The increases from business combinations include the contribution from the Atahotels Group, acquired in 2009. These amounts are attributable to the value of the Atahotels brand, valued at the time of allocation of the price paid for the equity investment at Euro 11.8 million, gross of the tax impact.

The residual amount principally refers to leasehold improvements, in particular on buildings where hotel activity is undertaken and are amortised in line with the duration of the relative rental contracts.

The “Disposal or reclassification” item includes Euro -87,974 thousand as a result of the deconsolidation of Bipiemme Vita, as well as Euro 84,369 thousand relative to the reclassification of costs for the work to expand the Loano port owned by the subsidiary Marina di Loano S.p.A. in accordance with IFRIC 12: previously these costs were recorded under the “Other intangible assets” item.

During the year, there were impairment losses of Euro 13 thousand at the subsidiary DDOR Novi Sad.

2. PROPERTY, PLANT & EQUIPMENT

This items totals Euro 934,680 thousand (Euro 1,248,146 thousand at 31 December 2008) down by Euro 313,466 thousand.

Property, plant and equipment break down as follows:

	Property		Land		Other property, plant and		Total	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
<i>(values in € thousands)</i>								
Gross book value	846,958	1,068,957	35,397	81,046	213,330	351,512	1,095,685	1,501,515
Depreciation and impairment provision	(45,062)	(88,409)	-	0	(115,943)	(164,960)	(161,005)	(253,369)
Net value	801,896	980,548	35,397	81,046	97,387	186,552	934,680	1,248,146

Changes in the year are shown below:

	Property		Land		Other property, plant and		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<i>(values in € thousands)</i>								
Value at start of year	980,548	924,715	81,046	79,159	186,552	201,897	1,248,146	1,205,771
Increases	77,690	92,009	0	1,887	24,008	36,617	101,698	130,513
Disposals	(98,281)	(81,124)	(46,098)	0	(3,140)	(48,105)	(147,519)	(129,229)
Reclassified or transferred from/to other categories	(140,137)	-	(1,792)	-	(124,576)	-	(266,505)	-
Other from business combinations	142	50,543	2,241	0	24,830	4,134	27,213	54,677
Impairment recorded in the year	(10,149)	0	0	0	0	0	(10,149)	0
Restatement recorded in the year	0	0	0	0	0	0	0	0
Amortisation and depreciation in the year	(4,426)	(6,623)	0	0	(10,070)	(7,991)	(14,496)	(14,614)
Exchange difference	(3,491)	1,028	0	0	(217)	0	(3,708)	1,028
Other changes	0	0	0	0	0	0	0	0
Total	801,896	980,548	35,397	81,046	97,387	186,552	934,680	1,248,146

The disposals largely related to the contribution of directly used buildings owned by Fondiaria-SAI and Milano Assicurazioni to the Rho property fund.

Impairment relates to the write-down of buildings by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni, which were considered permanent losses in value.

The item “Reclassifications or transfers from/to other categories” includes:

- In relation to “Buildings”:

- Euro 84,369 thousand for the reclassification under “Other intangible assets” of the costs relating to the expansion of the Loano port incurred by the subsidiary Marina di Loano
 - Euro 30,383 thousand for the reclassification from the item “Other receivables” of advances paid by the subsidiary Immobiliare Milano
 - Euro 26,482 thousand for the building located at Via Missaglia 97, Milan, transferred by the subsidiary Immobiliare Lombarda to the Tikal R.E. property fund and therefore reclassified under “Investment property”
 - Euro 21,215 thousand for the “Grande Albergo Capotaormina” transferred by the subsidiary Immobiliare Lombarda to the Athens property fund and therefore reclassified under “Investment property”
 - Euro 35,055 thousand for Hotel Terme di Petriolo transferred by the subsidiary Immobiliare Lombarda to the Athens property fund and therefore reclassified under “Investment Property”
 - Euro 3,399 thousand to the building located in Trieste at Riva Tommaso Gulli held by the subsidiary Milano Assicurazioni and reclassified in the item “Discontinued assets”. The item “Land” includes the transfer to “Discontinued assets” of the land relating to the above-mentioned building.
- In relation to “Other property, plant and equipment”:
 - the transfer to the item “Investment property” of the payments on account in 2008 by the subsidiary Milano Assicurazioni in relation to the property transaction concerning the areas located in Milan, Via Confalonieri - Via de Castillia and Rome, Via Fiorentini.

The item relating to land represents the indefinite useful life component separated from the buildings. The separation of the land is made based on specific independent expert’s valuations at the transition date (1 January 2004), or, if this is more recent, at the acquisition date.

The buildings included under property, plant and equipment include all of those used for business operations, recorded at cost and systematically depreciated based on their useful life only for the components with a definite useful life. There are no restrictions on the ownership of the buildings of the Group, nor have significant amounts been recorded in the income statement for impairment.

The item also includes the buildings held by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano (already benefitting from the spin-off of Immobiliare Lombarda) which were regarded as inventories and therefore valued in accordance with IAS 2.

The Group undertakes annual independent expert valuations to measure the fair value of its land and buildings. In particular, this process meets, for the insurance companies of the Group, the requirements of the Supervisory Authority and of IAS 40.

With regard to buildings intended for company use, note that the book value at year-end is Euro 309 million lower than the expert value based on market values (which were Euro 320 million at 31 December 2008).

The remaining other property, plant and equipment are mainly assets used by the Group for its operations, such as furnishings, plant and office equipment, as well as the final inventories of companies operating in the agricultural sector, valued in accordance with IAS 2.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

These total Euro 870,300 thousand (Euro 833,548 thousand at 31 December 2008) with a reduction of Euro 36,752 thousand. The breakdown of the item is as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Non-Life technical reserves			
Premium reserve	142.751	131.329	11.422
Claims reserve	547.418	505.326	42.092
Other reserves	-	-	-
Life technical reserves			
Mathematical reserves	178.430	194.554	(16.124)
Reserve for sums to be paid	1.700	2.338	(638)
Other reserves	1	1	(0)
Total	870.300	833.548	36.752

Of this sum, Euro 602.1 million refers to reinsurance expense, while Euro 268.2 million concern retrocessionaire reserves.

4. INVESTMENTS

The breakdown is as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Investment property	2.599.955	2.483.077	116.878
Equity investments in subsidiaries, associates and joint ventures	341.999	252.152	89.847
Investments held to maturity	808.473	845.789	(37.316)
Loans and receivables	2.908.010	1.791.420	1.116.590
Financial assets available-for-sale	18.896.934	19.975.007	(1.078.073)
Financial assets at fair value through profit or loss	8.655.108	8.080.675	574.433
Total	34.210.479	33.428.120	782.359

4.1 Investment Property

The item includes all the buildings held by the Group for rental or for capital appreciation.

Investment property is recorded at purchase cost in accordance with IAS 16 (which IAS 40 refers to in the case of adoption of the cost model). Consequently, for accounting purposes the Group has separated the value of the land from the value of the buildings held, considering that this component, having an indefinite useful life, must not be depreciated.

The separation of the land component from the buildings is based on expert valuations at the date of transition to the international accounting standards and, for the acquisitions subsequent to 1 January 2004, on the basis of expert independent valuations prepared at the moment of purchase.

The part of the property referring to buildings is depreciated systematically according to the residual useful life of the components therein. Among significant components, those relating to the plant of the building are depreciated separately. The depreciation rate used for the “building” component was 0.80-3%, while the depreciation rate relating to the “plant” component was 3.4-16.0%.

The Group calculates annually the fair value of investment property on the basis of valuations by independent experts, which offer specialist valuation services. The market value was calculated through the separate valuation of each asset, applying typical financial methods, including elements that take account of the returns on the buildings, in accordance with the provisions of the Supervisory Authority.

Overall, the book value of investment property at 31 December 2009 was more than Euro 834 million lower than the expert prepared by above mentioned independent experts (Euro 903 million at 31 December 2008).

The breakdown of investment property and changes in the year are shown below.

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Gross book value	2,910,636	2,782,577	128,059
Depreciation and impairment provision	(310,681)	(299,500)	(11,181)
Net value	2,599,955	2,483,077	116,878

The change in the book value of investment property is shown below:

<i>(values in € thousands)</i>	31.12.09	31.12.08
Balance sheet value at start of year	2,483,077	2,166,249
Increases for purchases and incremental expenses	180,226.0	429,308
Property from business combinations	-	5,466
Sales and reclassifications	(203,775.0)	(134,358)
Amortisation and depreciation in the year	(59,843.0)	(50,470)
Impairment/restatement recorded in the year	(7,058.0)	(16,900)
Exchange difference	-	-
Transfers from other categories (IAS 2 or IAS 16)	207,328.0	83,782
Other changes	-	-
Balance sheet value at year-end	2,599,955	2,483,077

The item “Transfers to/from other categories” includes:

- Euro 124,576 thousand relating to the payments on account made in 2008 by the subsidiary Milano Assicurazioni in relation to the property transaction concerning the areas in Milan, Via Confalonieri - Via de Castillia and Rome, Via Fiorentini reclassified to the item “Property, plant and equipment”
- Euro 26,482 thousand for the building located in Milan at Via Missaglia 97 transferred by the subsidiary Immobiliare Lombarda to the Tikal R.E. property fund and therefore reclassified under “Property, plant and equipment”
- Euro 21,215 thousand for the “Grande Albergo Capotaormina”, transferred by the subsidiary Immobiliare Lombarda to the Athens property fund and therefore reclassified under “Property, plant and equipment”
- Euro 35,055 thousand for Hotel Terme di Petriolo, transferred by the subsidiary Immobiliare Lombarda to the Athens property fund and therefore reclassified under “Property, plant and equipment”.

The transfers relate almost exclusively to the transfer to the Rho property fund.

Impairment refers to the buildings held by the Tikal R.E. property fund, whose book value was higher than their market value.

The property relative to the closed-end Tikal R.E. property fund contributed to the final balance with Euro 484 million (Euro 551 million at 31 December 2008).

During the year, rental income from investment property amounted to more than Euro 100 million (Euro 104 million at 31 December 2008).

There are no significant limitations on the realisability of investment property due to legal or contractual restrictions or restrictions of any other nature, with the exception of

six buildings owned by the Tikal R.E. fund which are mortgaged for the loans received on these buildings.

4.2 Equity investments in subsidiaries, associates and joint ventures

In accordance with IAS 27.20, Premafin fully consolidates all Group companies, including those which undertake dissimilar activities. The item includes the book value of some subsidiary investments which, given their insignificance in relation to the size and nature of the activities undertaken, are not decisive for purposes of the reliability of these financial statements.

See the appendix for details of investments in non-consolidated subsidiaries.

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Subsidiaries	2,690	2,929	(239)
Associates	339,309	249,223	90,086
Total	341,999	252,152	89,847

Included under associates, as of this year, is Euro 53.7 million for shares of the newly-incorporated Rho fund. These shares, held by Fondiaria-SAI and by Milano Assicurazioni, correspond to approximately 43% of the share capital of the fund.

It was considered appropriate to include this shareholding in associated companies due to the powers that the shareholders have in relation to some significant matters within the scope of the shareholders' meeting of the fund, in spite of governance agreements with the fund naming Fimit SGR as the single manager; neither Fondiaria-SAI nor its subsidiaries have any equity investments in this company, or any similar connection to it.

Equity investments in associates also include the book value of IGLI S.p.A., amounting to Euro 56.7 million, held equally by the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano Assicurazioni.

As already mentioned in the Directors' Report on operations, the book value of IGLI S.p.A. was written down by approx. Euro 55 million, due to the fact that the Impregilo shares held by IGLI (which represent the associate's only asset) had an implicit book value significantly higher than their market price.

In order to determine the value in use of the investee company, the value of the adjusted equity was estimated, principally as the sum of booked equity and the capital losses on the equity investment in Impregilo. This was calculated using the DCF method, asset side version, which used the forecast operating cash flows of Impregilo for the period 2009-2012, based on the latest estimates provided by analysts, as a reference.

The resulting value was then increased by the identifiable surplus assets, including those related to the sale of the waste-to-energy plant at Acerra.

The analysis resulted in the identification of a valuation range for the Impregilo share, whose average value was Euro 3.2. A sensitivity analysis was also undertaken on the value per share of Impregilo, assuming differentials on the discount rates and cash flows of 0.25%: this analysis shows a value range between Euro 3.0 and Euro 3.5. Note that the method used is in line with the principles contained in IAS 36, given that, also in relation to the IFRIC Update of January 2010, this standard remains the benchmark for calculating the impairment of equity investments in subsidiaries, associated companies and joint ventures.

The item also increased by Euro 90 million, mainly due to the reclassification of the book value of the equity investment for the profit participating bonds issued by the associated companies Ex-Var S.c.s. and Garibaldi S.c.s. It was considered appropriate to record these hybrid financial instruments directly in the book value of the equity investment given the impossibility of qualifying this as L&R (in that the cash flows, being anchored to the issuer's results, do not permit this classification) and due to the difficulty of identifying a fair value if they were classified as AFS.

The residual value of the most significant equity investments are represented by:

- Citylife S.r.l. for Euro 61.3 million
- Fin.Priv. S.r.l. for Euro 33.6 million
- Valore Immobiliare S.r.l. for Euro 13.1 million
- Butterfly AM S.a.r.l. for Euro 7.7 million
- Progetto Alfiere S.p.A. for Euro 6.6 million.

The value adjustments recognised in the income statement as a result of the valuation of equity investments in associates are negative by Euro 69 million and include the abovementioned IGLI adjustment.

4.3 Investments held to maturity

These amount to Euro 808,473 thousand (Euro 845,789 thousand at 31 December 2008) and consist of debt securities.

The Group has valued investments held to maturity since the last financial year.

The financial instruments included in this category meet the requirements of paragraph 9 of IAS 39. Therefore, these involve exclusively fixed-maturity debt securities with fixed and determinable payments, which the Group has the objective intention and capacity to hold until maturity.

In addition, the category only includes financial instruments from the Life segment held exclusively for policies with specific liabilities as defined by the current segment regulations.

This category includes listed securities of Euro 808,473 thousand, the current value of which is Euro 887,215 thousand.

4.4 Loans and receivables

Loans and receivables amount to Euro 2,908,010 thousand (Euro 1,791,420 thousand at 31 December 2008) and break down as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Receivables from banks for interbank deposits and from bank customers	976,933	540,067	436,867
Debt securities	1,020,996	115,432	905,565
Repurchasing transactions	136,193	297,229	(161,036)
Loans on life policies	61,327	64,280	(2,953)
Deposits held by reinsurers	28,570	31,045	(2,475)
Receivables from sub-agents for redress and indemnities paid to agents terminated	232,305	219,354	12,951
Other loans and receivables	451,686	524,013	(72,328)
Total	2,908,010	1,791,420	1,116,591

The increase on 31 December 2008 is due to the reclassification of debt securities from available-for-sale assets to loans and receivables. This reclassification, made on 1 January 2009 and equal to Euro 808,420 thousand (book value at 1 January 2009), was

made pursuant to IAS 39 as amended in October 2008 upon approval of Regulation (EC) No 1004/2008.

Using this option, it was considered appropriate to reclassify some debt securities held in the statement of financial position at 31 December 2008, principally containing subordination clauses and issued by corporate parties, which were measured at fair value at 31 December 2008 with appropriate mark to model valuation, in view of the illiquidity of the benchmark market and the unreliability of the relative prices. In fact, the nature of the securities and the difficulty in defining an objective fair value, given the current economic and financial crisis, did not permit normal pricing.

In view of the nature of the securities and of the intention and capacity of the Group to hold these assets for the foreseeable future or until maturity, the allocation of these financial instruments to the category of "loans and receivables" is clearly more appropriate, since valuation at amortised cost permits the income accrued on the securities in the period to be recognised in the income statement.

The book value of the securities transferred at 31 December 2009 is Euro 807,887 thousand. The mark-to-model measurement of fair value mentioned above essentially confirms their book value. There was no permanent impairment on any security, and the effect of the amortised cost resulted in the recognition of Euro 12,628 thousand of income. The negative AFS reserve recognised on these securities at 1 January 2009 amounts to Euro 75,222 thousand and is amortised according to IAS 39.

Also note that this reclassification has an effect in 2009 in that, as explicitly stated in IAS 39 103G, it is not possible to retroactively apply this change to the same period of 2008. However, the effects would not have been at all significant.

The receivables from banks include the receivables of the subsidiaries BancaSai and Banca Gesfid in respect of other credit institutions for deposits of Euro 470,085 thousand (Euro 84,907 thousand at 31 December 2008), as well as loans to bank customers of Euro 506,848 thousand (Euro 455,159 thousand at 31 December 2008).

Debt securities include, residually and in addition to the reclassifications previously described, the book values of some issues (in particular the securities of the special Ania issues) for which it is considered appropriate to use amortised cost and not fair value in the absence of an active market. The item refers to financial assets for which it is believed that fair value cannot be accurately calculated.

The receivables from sub-agents for the recovery of indemnities paid to agents are recorded in this item pursuant to ISVAP Regulation 7/07 and, given their interest bearing nature, in favour of the Group.

Other loans and receivables include, *inter alia*, a receivable of approximately Euro 176.0 million recognised against the forward sale of Intesa SanPaolo shares owned by Fondiaria-SAI through the mandatory convertible exclusively into Intesa SanPaolo shares, issued by the subsidiary Sainternational in September 2004. This receivable was discounted, given the time period of the maturity of the underlying forward sale of the mandatory issue.

The positive effect on the income statement for the year was Euro 5.7 million.

Also included is Euro 209.6 million (Euro 195.3 million at 31 December 2008) relative to consumer loans held by subsidiary Finitalia with customers.

Lastly, the other loans and receivables item includes Euro 12,384 thousand in loans in respect of associate HEDF Isola S.c.s., acquired during the year together with 43% of the share capital of that company, which is handling the property development known as Porta Nuova Isola. The project provides for the construction by 2013 of approximately 30,000 m² of buildings, of which approximately 22,000 m² for residential use.

4.5 Financial assets available-for-sale

Financial assets available-for-sale include bonds and equities, as well as investment fund units, not otherwise classified. Although a residual category, they represent the largest category of financial instruments, in line with the characteristics and purposes of insurance activities.

The financial assets break down as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Equity securities	1,669,996	1,510,186	159,811
UCI units	963,466	883,503	79,963
Debt securities	16,261,500	17,578,402	(1,316,902)
Other financial investments	1,972	2,916	(944)
Total	18,896,934	19,975,007	(1,078,073)

The decrease is largely due to the deconsolidation of Bipiemme Vita: at 31 December 2008 the contribution amounted to Euro 1,670 million.

The reduction in AFS investments was due, *inter alia*, to the already stated transfer of debt securities to the item “Loans and receivables”, partially offset by adjustments to fair value.

The equities in the AFS category include listed securities for Euro 1,532.8 million, while under debt securities, listed securities amount to Euro 16,230.9 million.

We report that, in the main, the debt and equities included in this category are valued at fair value; among the equities we report the 2% equity investment of the Group in the Bank of Italy. This investment is measured at cost in the absence of an active market and given the wide variability of the possible valuation estimates of this investment.

The listed equities included in “Financial assets available-for-sale” include the following equity investments:

<i>(in € thousands)</i>	% of equity investment (1)	Balance sheet value 2009	Balance sheet value 2008
Assicurazioni Generali S.p.A.	1.00	292,390	274,867
Unicredito S.p.A.	0.25	98,406	82,202
Gemina S.p.A.	4.18	35,252	23,005
Mediobanca S.p.A.	3.84	274,603	228,425
Monte dei Paschi S.p.A.	0.40	33,294	51,978
RCS S.p.A.	5.46	50,703	39,105
Pirelli & C. S.A. p.a.	4.48	98,792	61,592
Total		883,440	761,174
Other investments		649,353	610,233
Grand total		1,532,793	1,371,407

(1) Percentage calculated on the total voting capital

The book value is adjusted to the stock exchange price on the last day of the year.

Overall, we show the effect of valuation at fair value, which has a positive impact, for the Group share and gross of tax impacts, of Euro 269.1 million (compared with a negative impact of Euro 460.3 million in 2008) for equities and UCITS units and

positive by Euro 497.6 million (compared with Euro -251.7 million in 2008) for debt securities.

With regard to the composition of the AFS reserve (for the Group share and gross of both tax impacts and amounts to policyholders under the shadow accounting technique), the gross amount, positive by Euro 19 million, includes a positive component of Euro 74 million for debt securities and UCITS units and a negative component of Euro 55 million for equities; the latter were largely already present in the Group equity portfolio at 31 December 2008 and show a decrease in fair value in almost all cases lower than 60% of original carrying amounts.

With regard to Group impairment policy relating to the AFS financial instruments, see the section on accounting standards.

Following the publication of the “IFRIC Update” last July, it became clear that the two “significant or prolonged” criteria must be applied separately and not jointly. The requirement of the above-mentioned Joint Document n. 4 of 3 March this year has been applied by the Group since the 2009 half-year report.

Therefore, for the purposes of recognising impairment, the Group has identified the conditions for a prolonged or significant reduction in fair value, defined alternatively as:

1. a reduction in the market value of more than 80% of the original cost at the reporting date of the financial statements
2. a market value continuously lower than the original book value for a period of two years.

For Financial instruments AFS that do not fall within the “automatic” criteria stated above, in the presence of significant capital losses on equities, further analytical evaluations are nevertheless carried out in order to ascertain the presence of any impairment indicators.

Where such analysis indicates difficulty in recovering the book value, the entire negative reserve is recognised in the income statement, if the automatic thresholds described above are not exceeded. In this regard, the Group has examined all positions in the portfolio for which the capital loss is greater than Euro 1 million or the negative AFS reserve ranges from 20% to 80% of the original book value.

Consequently, for equity investments showing a significant decrease in fair value (generally between 20% and 80% and therefore not included in the automatic testing), the analysis of the existence of an impairment was made on the basis of a mixed valuation approach, differentiated by the quality and the size of the holding.

Therefore:

1. for the “significant” investments of the Group, such as:
 - Assicurazioni Generali
 - Banca Intermobiliare
 - Monte dei Paschi di Siena
 - UniCredit

the stock exchange prices at 31 December 2009 report values below the original cost of the investment.

Therefore, although they did not show impairment according to the automatic test policies described above, these investments were prudently subjected to qualitative analytical valuations, carried out internally with the assistance of independent experts. This analysis showed that the value in use of the investments was higher than their book value, confirming recognition of the difference between the book value and the market value in the negative component of the AFS reserve, and that the requirements for impairment were not met. This analysis, based on methods commonly used by operators, was based on public and available information (annual/interim financial statements, industrial plans, presentation of data to the financial community, etc.) in turn subject to a desk review procedure.

2. For equity investments not falling under point 1) but which nevertheless represent significant amounts both in terms of book value and capital losses, we checked whether or not any of the qualitative requirements under paragraph 59 of IAS 39 existed (and if so, the impairment was recognised immediately in the income statement) and if not by analytical valuation.
3. For all other equity investments, given their fragmentation and the lower significance of the correlated capital losses (as already mentioned or because they are lower than the threshold of Euro 1 million in absolute value or because the negative AFS reserve is within 20% of cost), the impairment was made only if there was evidence of any of the qualitative factors mentioned in paragraph 59.
4. With regard to debt instruments, there is objective evidence of impairment if only one of the qualitative factors in paragraph 59 applies. For debt securities showing a significant decrease in fair value on the date of preparation of the financial statements, any analytical valuations are nevertheless more simplified in that the fundamental criterion primarily concerns the likelihood of issuer default.
5. Finally, in relation to UCITS units, the impairment policy takes into account the objective difficulty in making analytical valuations, in that these must be extended to all the financial instruments comprising the units held.

The UCITS units analysed were therefore principally bonds; they were analysed separately from those composed of equities.

For bonds, the impairment was recognised in the income statement in the case of default of the manager and/or underlying assets, while for equities, any negative AFS reserve was recorded in the income statement, including in cases where the capital loss was between 20% and 80% of the book value, notwithstanding the income statement impact for all the funds and UCITS units that did not exceed the automatic thresholds.

All this having been said, note that impairment losses relative to AFS assets by type total Euro 157 million (Euro 203.2 million at 31 December 2008) and are summarised in the following table:

	2009	2008
SHARES	109.2	173.2
BONDS	6.2	29.1
UCI UNITS	41.6	0.9
TOTAL	157.0	203.2

Finally, for the valuation of the equity investment in Gemina S.p.A., in the statutory financial statements of the Parent Company the equity investment was adjusted to value in use at 31 December 2009, considering this adjustment as a permanent loss in value.

This “value in use” is the result of an analytical valuation identifying the unit value of the equity investment as Euro 1.00, lower than the book value but higher than the fair value at 31 December 2009. Applying IAS principles, the provisions of paragraph 68 of IAS 39 require that, in the event of impairment, the entire difference between purchase cost and current fair value to date be recognised in the income statement.

It is therefore necessary to recognise in the income statement the entire amount of the negative AFS reserve relating to Gemina, which resulted in total charges to the income statement of Euro 47 million. In any event the investee company would be written down in the presence of a prolonged decrease in fair value, as defined by the impairment policies of the Group.

4.6 Financial assets at fair value through profit or loss

The breakdown is as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Equity securities	97,858	74,888	22,970
UCI units	410,088	954,632	(544,544)
Debt securities	7,470,196	6,600,853	869,343
Other financial investments	676,966	450,302	226,664
Total	8,655,108	8,080,675	574,433

At 31 December 2008, Bipiemme Vita contributed Euro 1,705 million: this decrease is offset by the investments made by the subsidiary Lawrence Life, the change in which amounted to Euro 2,150 million, following a notable increase in premiums written.

The component relative to financial assets at fair value through profit or loss amounts to Euro 8,463,106 thousand (Euro 7,833,085 thousand at 31 December 2008) and includes investments for which the risk is borne by life policyholders and which derive from the management of pension funds of Euro 8,324 million (Euro 7,647 million at 31 December 2008).

Note that the fair value of financial instruments traded on regulated markets is determined with reference to the stock exchange prices recorded at the end of the final trading day of the year; also note that, if the market price is not available, the reference price is the price available from brokers.

For all financial instruments for which no active market exists, the fair value is determined through valuation techniques based on:

- most recent transaction prices between independent parties
- the current market value of a similar instrument
- the analysis of the discounted cash flows, in which the estimated future cash flows are based on the best estimates of management and the discount rate used is correlated to the market rate used for similar instruments
- valuation models of the options.

If the fair value cannot be measured reliably, the financial instruments are measured at cost, considered as the fair value of the amount paid for the purchase of the investment. In this situation, all the transaction costs strictly attributable to the purchase are included in investment costs.

In measuring fair value, the Group uses market valuations directly obtained from independent sources, if available, as this is normally considered the best evidence of fair value. In this case the fair value is the market price of the same financial instrument subject to valuation, taken from prices on an active market. A market is considered as

active when the quotations reflect normal market operations, readily and normally available through the stock exchange, listing services and brokers and express effective and normal prices in the market.

Active markets are normally considered:

- regulated securities and derivatives markets, with the exception of the Luxembourg financial market
- the secondary market of UCITS units, expressed by the official NAV (Net Asset Value) based on which the asset management company issuer must settle the units; this value may be adjusted to take account of the scarce liquidity of the fund, or of the time interval between the date of the repayment request and that of the actual repayment
- the organised exchange systems
- some over-the-counter electronic trading circuits (e.g. Bloomberg), in the presence of some qualitative and quantitative parameters (presence of a certain number of contributors, spread between bid and ask prices contained between a determined tolerance threshold).

When a valuation is not applicable through Mark to Market, technical valuations must use information available on the market, based on the following valuation approaches:

- comparable approach: in this case the fair value of the instrument is taken from the prices observed on recent transactions on similar instruments in active markets;
- model valuation: in the absence of observable transaction prices, relating to the instrument to be valued or on similar instruments, it is necessary to adopt a valuation model based on market data:
 - debt securities are valued based on discounting expected cash flows, adjusted to take account of the issuer risk and the liquidity risk;
 - derivative contracts are valued through multiple models, based on the input factors (risk rate, volatility, price risk, exchange risk, etc.) which impacts the relative valuation;
 - unlisted equities are valued with reference to direct transactions on the same security or, on similar securities observed in a defined period of time from the valuation date, based on the market multiples method of similar companies and, secondarily, through financial, profitability and asset valuation methods.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group makes limited use of derivative financial instruments. In fact the characteristics and the nature of insurance activity requires that the use of derivative financial instruments is regulated in accordance with Supervisory Authority Provision 297/1996.

In particular, the above-mentioned Provision provides that transactions in derivative financial instruments for the purpose of effective management are contained at a tolerable level of the available solvency margin. In this context, Group transactions in derivative financial instruments are mainly based on fair value hedges of some significant equity investments classified as available-for-sale, and to the containment of the interest rate risk on some deposits.

Hedging derivatives

With regard to the first type (fair value hedge of significant equity investments), the Group prepared the relative hedging reports, which illustrate that the hedges are highly effective.

The book values at 31 December 2009 of the above-mentioned derivatives and the consequent adjustment to fair value of the available-for-sale shares by Company are listed below.

<i>(in € thousands)</i>	Liabilities		AFS Shares Hedged
	Assets for hedging contracts	for hedging contracts	
Fondiaria-SAI S.p.A.	5,090	9,243	4,153
Milano Assicurazioni S.p.A.	484	0	(484)
Total	5,574	9,243	3,669

The book value of the hedged assets was adjusted for changes in the fair value and recognised in the income statement. The capital gains and losses deriving from fair value measurement of the hedging derivatives are also recognised in the income statement.

Relative to 2009, as far as Fondiaria-SAI is concerned, in view of revaluations of Euro 11,298 thousand, write-downs of hedged shares were made in the same amount as the hedging derivatives. In addition, following the partial elimination of the hedges during 2009, there was a decrease in the derivative assets of Euro 34,741 thousand against the sale of Pirelli & C. ordinary shares, to realise the receivable for Euro 7,604 thousand against the closure of hedging derivatives on Monte dei Paschi shares and to realise the receivable for Euro 15,328 thousand against the closure of the hedging derivatives on Mediobanca shares.

In relation to Milano Assicurazioni, following the total cancellation of the hedge on UniCredit ordinary shares during 2009, the receivable was realised, thus decreasing assets from hedging derivatives by Euro 21,347 thousand, against new transactions on hedging derivatives on Mediobanca shares, the receivable was recognised for Euro 484 thousand.

The impact on the consolidated income statement was zero against the appreciation or depreciation of the hedged financial instruments recording respectively a gain or loss of a similar amount for the derivative hedged.

With regard to the second type of hedge, the Group signed interest rate swap agreements to manage the risks deriving from changes in interest rates on debt exposure with banks, converting a part of these loans from variable interest rate to fixed interest rate. These derivative financial instruments are recorded as assets when the fair value is positive, and as liabilities when negative. This fair value is periodically re-measured.

The fair value of the derivative instrument represents the present value of the cash flows that the company expects to receive from the contract: these changes in value are recorded against an equity reserve and released subsequently to the income statement in order to neutralise the effects of the transaction.

The portion of profit or loss associated with the derivative hedging instrument which equals the absolute value of the fair value changes of the expected cash flows, being considered an effective hedge (range 80-125%), must be recorded directly in equity; the ineffective portion of the profit or loss on the hedging instrument must be recognised in the income statement if this relates to overhedging. If on the other hand the excess of value is from the instrument hedged (underhedging), the entire fair value change recorded for the derivative must be recorded in equity.

Where it is considered that the future transaction will not take place, all the components of profit and loss allocated to equity must be immediately recognised in the income statement.

At the present time, contracts have been entered into for a notional value of approximately Euro 988 million (Euro 760 million at 31 December 2008).

At the reporting date, the fair value of the IRS was estimated at around Euro -14.8 million. These derivative instruments are designated as future cash flow hedging instruments.

Details of IRS transactions at 31 December 2009 are as follows:

(values in € thousands)

Company	Notional	Expiry	Fixed rate %	Variable rate	Fair value at 31.12.09
Premafin HP S.p.A.	41,250	31.12.13	3.654	Euribor 3 m 30/360	(1,713)
Premafin HP S.p.A.	41,250	31.12.13	2.805	Euribor 3 m 30/360	(803)
Premafin HP S.p.A.	33,000	31.12.14	3.050	Euribor 6 m Act/360	(815)
Fondiaria-SAI S.p.A.	200,000	23.7.13	3.970	Euribor 6 m Act/360	(7,929)
Fondiaria-SAI S.p.A.	100,000	23.7.13	3.930	Euribor 6 m Act/361	(3,832)
Fondiaria-SAI S.p.A.	100,000	23.7.13	3.990	Euribor 6 m Act/360	(4,031)
Fondiaria-SAI S.p.A.	150,000	14.7.16	3.180	Euribor 6 m Act/360	1,691
Fondiaria-SAI S.p.A.	100,000	30.12.15	3.080	Euribor 6 m Act/360	2,291
Fondiaria-SAI S.p.A.	100,000	14.7.18	3.309	Euribor 6 m Act/360	2,260
Milano assicurazioni	50,000	14.7.16	3.180	Euribor 6 m Act/360	(620)
Tikal R.E.	25,000	30.12.09	3.185	Euribor 6 m Act/360	(452)
Marina di Loano	20,000	31.12.14	2.550	Euribor 3 m 30/360	(107)
Bancasai	10,000	2.2.14	3.050	Euribor 6 m Act/360	(274)
Bancasai	15,000	2.2.14	3.050	Euribor 6 m Act/360	(411)
Bancasai	2,200	1.2.14	3.725	Euribor 6 m Act/360	(59)
Total	987,700				(14,804)

Non-hedging derivatives

The Group does not undertake derivative contracts on currencies to hedge transactions and future cash flows, in that the currency risk exposure overall is immaterial and is covered through the mechanism of natural hedges between assets and liabilities in foreign currencies.

The Parent Company has an existing equity swap contract on ordinary shares of the subsidiary Fondiaria-SAI S.p.A. The valuation of the transaction at year-end entailed recognition of a charge of approximately Euro 5.8 million.

In terms of non-hedging derivative contracts, forward variance swap contracts matured or closed early with a positive impact on the income statement of Euro 1,399 thousand and a negative impact on the income statement of Euro 787 thousand. For Milano Assicurazioni, the impact on the income statement was positive by Euro 700 thousand and negative by Euro 393 thousand.

During the year the Group agreed credit default swap contracts to protect the risks of insolvency of counterparty issuers of financial instruments acquired by the Group.

The costs of such hedges for the current year, amounting to Euro 1,109 thousand for Fondiaria-SAI, and Euro 272 thousand for Milano Assicurazioni, were recognised in the income statement for the year under asset and financial charges. Following the early

closure of some credit default swap contracts, Fondiaria-SAI recorded Euro 511 thousand as income from sale and Euro 144 thousand under capital losses realised, and with regard to Milano Assicurazioni, Euro 492 thousand were recorded as income from sale and Euro 288 thousand as capital losses realised. In any case it is reported, also given the limited cost of the hedging, that the issuers of the financial instruments entered into by the Group are primary financial operators of international standing.

At year-end, the following credit default swaps remain open:

(values in Euro thousands)

Company	Notional	Expiry	Counterparty	Issuer hedged	Cost
Fondiaria-SAI S.p.A.	15,000	20-Jun-11	BNP Paribas	Banco Popolare sub.	100 bps per annum
Fondiaria-SAI S.p.A.	4,400	20-Jun-14	BNP Paribas	Merril Lynch	123 bps per annum
Fondiaria-SAI S.p.A.	25,000	20-Feb-13	Morgan Stanley	Republic of Serbia	295.2 bps per annum
Milano Assicurazioni S.p.A.	4,411	20-Jun-14	BNP Paribas	Merril Lynch	123 bps per annum
Milano Assicurazioni S.p.A.	9,350	20-Jun-13	BNP Paribas	Morgan Stanley	100 bps per annum

At year-end, the following interest rate swaps remain open among non-hedged transactions:

(values in €thousands)

Company	Notional	Expiry	Fixed rate %	Variable rate	Fair value at 31.12.09
Immobiliare Milano	21.428	31-dec-12	3,770	Euribor 6 m 30/360	(721)
Immobiliare Milano	21.428	31-dec-12	3,695	Euribor 6 m 30/360	(693)

In addition, at 31 December 2009, Fondiaria-SAI had the following existing contracts:

Purchase and sale of forward variance swaps on the Euro Stoxx 50 index; purchase of 834 contracts from BNP Paribas strike 30 maturity 18 June 2010 and sale to Goldman Sachs strike 31.40. The purchase of forward variance swap contracts permits the assumption of upward positions on the underlying volatility. The position had a capital gain at 31 December 2009 of Euro 110 thousand on the position sold and a capital loss of Euro 39 thousand on the position purchased.

Milano Assicurazioni also has the following contracts at 31 December 2009:

Purchase and sale of forward variance swap contracts on the Euro Stoxx 50 index; purchase of 416 contracts from BNP Paribas strike 30 maturity 18 June 2010 and sale to Goldman Sachs strike 31.40. The position has a capital gain on valuation at 31 December 2009 of Euro 55 thousand on the position sold and a capital loss on valuation of Euro 19 thousand on the position purchased.

5. OTHER RECEIVABLES

The breakdown of the item is as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Receivables from direct insurance operations	1,817,234	1,861,642	(44,408)
Receivables from reinsurance operations	133,333	138,325	(4,992)
Other receivables	472,907	521,337	(48,430)
Total	2,423,474	2,521,304	(97,830)

The Group considers that the book value of trade and other receivables approximates their fair value. The trade receivables are non-interest bearing and are generally payable within 90 days.

The net balance of taxes on sales is generally non-interest-bearing and settled with the relevant tax authorities on a monthly basis.

The composition of the receivables deriving from direct insurance operations is as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Receivables from policyholders for premiums in the year	831,950	876,356	(44,406)
Receivables from policyholders for premiums in previous years	23,517	25,428	(1,911)
Receivables from insurance brokers	733,741	696,895	36,846
Receivables from insurance companies	134,497	184,404	(49,907)
Amounts to be recovered from policyholders and third parties	93,529	78,559	14,970
Total	1,817,234	1,861,642	(44,408)

With regard to receivables from policyholders for premiums, agents and other brokers, as well as insurance and reinsurance companies, the Group does not have significant concentrations of credit risks, as the credit exposure is divided among a large number of counterparties and clients.

Reinsurance receivables include Euro 119,687 thousand (Euro 127,242 thousand in 2008) for receivables from insurance and reinsurance companies for reinsurance transactions and Euro 13,646 thousand (Euro 11,083 thousand in 2008) with reinsurance brokers. During the year no significant write-downs were made on reinsurance assets.

Other receivables include trade receivables of Euro 66,628 thousand, consisting primarily of receivables from customers, as well as receivables from the financial authorities of Euro 184,448 thousand for refunds requested, VAT credits, and payments on account for insurance tax (Decree Law 282/04).

6. OTHER ASSETS

Other assets total Euro 4,923,669 thousand (Euro 947,501 thousand in 2008), representing a decrease of Euro 110,170 thousand on the previous year.

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Non-current assets or disposal group classified as held for sale	4,106,065	15,211	4,090,854
Deferred acquisition costs	142,111	226,969	(84,858)
Deferred tax assets	174,234	117,369	56,865
Current tax assets	304,769	351,832	(47,063)
Other assets	196,490	236,120	(39,630)
Total	4,923,669	947,501	3,976,168

6.1 Non-current assets or disposal group classified as held for sale

At 31 December 2009, discontinued assets amounted to Euro 4,106,065 thousand (Euro 15,211 million at 31 December 2008).

This refers principally to Bipiemme Vita S.p.A. (Euro 4,096,840 thousand)

As mentioned in the Directors' Report on operations, in December 2009 Banca Popolare di Milano S.c.a.r.l. and Milano Assicurazioni S.p.A. signed an agreement for the mutual winding-up of the partnership in the bancassurance sector signed in 2005.

The agreement provides for the repurchase by Banca Popolare di Milano of the 51% holding in Bipiemme Vita S.p.A. held by Milano Assicurazioni for a payment of approximately Euro 122 million. The transfer of the investment will take place, subject to obtaining the necessary authorisations, in the first half-year of 2010.

Therefore, in accordance with IFRS 5, the 2009 data of Bipiemme Vita is not fully consolidated but reclassified under specific items in the financial statements (non-current assets and liabilities or of discontinued groups held for sale and profit/(loss) from discontinued operations).

See Part F of these notes to the financial statements for more information on the breakdown of these assets.

The item also includes Euro 5,191 thousand for the property located in Trieste at Riva Tommaso Gulli, in the process of being contributed to the Rho Property Fund at 31 December 2009. The transfer of ownership took place on 23 March 2010.

6.2 Deferred acquisition costs

The deferred acquisition costs of Euro 142,111 thousand (Euro 226,969 thousand at 31 December 2008) refer mainly to acquisition commissions to be amortised on long-term contracts in the Non-Life and Life segments relative to traditional companies. These amounts are deferred and amortised over seven years for the Non-Life classes and six years for the Life classes in accordance with analysis of the average duration of the contracts in portfolio. This is in accordance with the accruals principle.

The change from the 2008 figure is negative and amounts to Euro 84,858 thousand. Note that Fondiaria-SIA and Milano Assicurazioni no longer record upfront commissions in the Non-Life classes since, following the abolition of long-term contracts in accordance with the Bersani decrees, the remuneration policy for agency networks has changed substantially. The increase in the year refers exclusively to the contribution of DDOR. The increase in the Life class is due almost exclusively to the contribution of subsidiary Popolare Vita and relates to the upfront commission paid to the sales network in advance on unit contracts with significant insurance risk.

The amortisation period in this case was estimated as three years. In fact, in this time period the charge would be recovered both through the relative management commissions and through any surrender penalty charges. The following table provides the change in such costs over the year:

	31.12.09			31.12.08
<i>(values in € thousands)</i>	Non-Life classes	Life classes	Total	Total
Balance at start of year	187,327	39,642	226,969	290,517
Increases in the year	6,981	8,107	15,088	40,375
Amortisation in the year (-)	(78,942)	(17,074)	(96,016)	(96,586)
Impairment recorded in the year (-)	(3,424)	0	(3,424)	(7,337)
Other changes	(506)	0	(506)	0
Balance at end of year	111,436	30,675	142,111	226,969

The loss in value recorded during the year refers to the lower future utilisation of the amounts capitalised against the insurance contracts reversed and/or reformed. There are no deferred acquisition costs recorded against reinsurance contracts.

6.3 Deferred tax assets

These amounted to Euro 174,234 thousand (Euro 117,369 thousand in 2008) and are calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the financial statements and the respective tax value according to the “balance sheet liability method”, as per IAS 12 in relation to the probability of their recovery correlated to the on-going capacity to generate positive taxable income.

The amount at year-end takes into account the payment made, by each of the Group companies, with the corresponding deferred tax liabilities, in accordance with IAS 12.

6.4 Current tax assets

The current tax assets of Euro 304,769 thousand (Euro 351,832 thousand at 31 December 2008) refer to receivables from financial authorities for payments on account for tax, withholding and income tax credits.

The item also includes the amounts paid on account for tax pursuant to Article 1, paragraph 2 of Decree Law 209/02, as passed into law by Article 1 of Law 265/2002, as amended. This is in accordance with ISVAP Regulation 7/07, as not relating to activity applicable under IAS 12.

The balance at year-end takes into account the offsets made with current tax liabilities due to a direct legal right for these amounts to be set off either by the individual companies of the Group or by Fondiaria-SAI on behalf of all the companies that participate in tax consolidation, paying and settling IRES income taxes jointly.

The item does not include the amount reclassified to the item “Other receivables” for the tax credits of various natures requested as a tax reimbursement.

6.5 Other assets

Other assets amounted to Euro 196,490 thousand (Euro 236,120 thousand at 31 December 2008) with the following breakdown:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Transitory reinsurance accounts	2.451	1.499	952
Deferred commission expense for Life policyholder investment management services	20.482	48.511	(28.029)
Mathematical reserve tax on account as per Leg. Decree 209/03	57.614	59.855	(2.241)
Indemnities paid and not applied	20.297	9.330	10.967
Other assets	95.646	116.925	(21.279)
Total	196.490	236.120	(39.630)

7. CASH AND CASH EQUIVALENTS

These totalled Euro 591,245 thousand (Euro 776,783 thousand at 31 December 2008).

The item includes the liquidity held by the Group and deposits and bank current accounts with maturity of less than 15 days. They include highly liquid assets (cash and deposits on demand) and cash equivalents, i.e. short term financial investments, readily convertible into known cash amounts and therefore subject to a very small risk of changes in value.

The book value of these assets closely approximates their fair value. The deposits and bank current accounts are remunerated at fixed or variable interest rates which accrue and/or are credited on a quarterly basis or in relation to the lower duration of any restrictions on the time deposits.

STATEMENT OF FINANCIAL POSITION - SHAREHOLDERS' EQUITY AND LIABILITIES

1. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity of Euro 3,413,899 thousand, including results for the year and minority interests, decreased by Euro 167,961 thousand from 2008.

The changes in the year are shown below:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
SHAREHOLDERS' EQUITY	3.413.899	3.581.860	(167.961)
pertaining to the Group	633.345	678.854	(45.509)
Share Capital	410.340	410.340	-
Other equity instruments	-	-	-
Capital reserves	21	21	-
Earnings and other capital reserves	393.006	395.807	(2.801)
(Treasury shares)	(43.183)	(43.183)	-
Translation reserve	(1.275)	1.323	(2.598)
Profit or loss on financial assets available-for-sale	(2.204)	(106.110)	103.906
Unrealised gains and losses through equity	11.057	14.022	(2.965)
Profit (loss) for the year pertaining to the Group	(134.417)	6.634	(141.051)
pertaining to minority interests	2.780.554	2.903.006	(122.452)
Minority capital and reserves	3.088.469	3.140.774	(52.305)
Unrealised gains and losses through equity	(29.518)	(299.945)	270.427
Profit (loss) for the year pertaining to minority interests	(278.397)	62.177	(340.574)
Total	3.413.899	3.581.860	(167.961)

Pursuant to IAS 1.76 a), the number of shares issued at 31 December 2009 was 410,340,220, just as at 31 December 2008.

	Ordinary
Shares outstanding a 1 January 2009	410,340,220
Shares outstanding: existing at 1 January 2009	410,340,220
Increases:	
Exercise of warrants and capital increase	-
Shares existing at 31 December 2009	410,340,220

Nature and purpose of the other reserves

The retained earnings and other capital reserves include the other equity reserves in the financial statements of the Parent Company, increased by the allocation of the result for 2009 (see the notes to the separate financial statements of the Parent Company relating to the changes therein) in addition to the consolidation reserves.

1.1.5 Treasury shares

These amounted to Euro 43 million (Euro 43 million at 31 December 2008). The item includes the book value of the equity instruments of the Parent Company Premafin HP S.p.A. held by other Group companies; specifically, by Fondiaria-SAI S.p.A. (for Euro 22.7 million) and by Milano Assicurazioni S.p.A. (for Euro 11.4 million).

The item is negative in accordance with the provisions of IAS 32. Following the sale/purchases transactions undertaken during the year, no profit or loss was recorded in the income statement.

1.1.6 Reserves for net exchange differences

This item, for Euro 1,275 thousand (Euro 1,323 thousand at 31 December 2008), includes the conversion differences from currency translation of the financial statements of some foreign subsidiaries resident in countries outside the Eurozone.

1.1.7 Profit and loss on financial assets available-for-sale

This item, which is negative by Euro 2,204 thousand, includes profit and loss from the valuation of financial assets available-for-sale. This is shown net of the related deferred tax liability, both for the part attributable to policyholders and allocated to insurance liabilities.

1.1.8 Other profit and loss in the year recorded directly in equity

This item, amounting to Euro 11 million includes the equity-method valuation of some associates for Euro 3 million.

Included are Euro 5.5 million relative to profit or loss on cash flow hedging instruments, plus Euro 17.7 million in reserves for the reversal of capital gains realised on equity investments in subsidiaries.

In fact, as described in the accounting principles, transactions on shares of subsidiaries that do not result in the loss or acquisition of control do not impact profit in the consolidated financial statements as they are regarded as simple changes in the ownership structure of the Group. An exception is the results of the segregated funds of the Life classes.

The residual amount refers principally to profit and loss of an actuarial nature resulting from the application of IAS 19.

1.2 Minority interests

Minority interests, including net profit, shows a decrease of Euro 122 million, due to the Gruppo Milano minority interest, as well as that of the subsidiary Popolare Vita S.p.A.

Changes in consolidated equity are shown in the relevant table.

Statement of reconciliation between the financial statements of the Parent Company and the consolidated financial statements

Shown below is the reconciliation between Group net profit and shareholders' equity at year-end as per Consob Communication DEM 6064293.

<i>(values in € thousands)</i>	Profit for the period	
	31.12.09	31.12.08
Result of Premafin HP S.p.A. according to Italian accounting standards	(3,896)	3,209
IAS 38 - Intangible assets		
- Goodwill		0
- Other intangible assets		0
IAS 19 Employee benefits	(31)	(20)
IAS 37 - Provisions, contingent liabilities and assets	383	(609)
- Risk provisions	383	(609)
IAS 39 Financial instruments	5,384	11,562
- Financial assets		(322)
- Financial liabilities	5,384	11,884
Stock options	(379)	(1,163)
Tax effect on IAS/IFRS adjustments	0	0
Result of Premafin HP S.p.A. according to IAS/IFRS accounting standards	1,461	12,979
Consolidation adjustments:		
Result for the year and differences between the book value and the shareholders' equity of the companies consolidated:		
- line-by-line	(70,570)	401,356
- with the equity method	(11,109)	(888)
Application of group accounting principles, translation adjustment and other	(49,257)	(90,855)
Voba amortisation	(54,085)	(45,022)
Derecognition of effects of intragroup transactions:		
- Intragroup dividends	(166,809)	(256,526)
- Other intragroup transactions	(99,008)	24,625
- Tax effects of consolidation adjustments	36,563	23,142
Consolidated result according to IAS/IFRS standards	(412,814)	68,811
Minority interests	(278,397)	62,177
Group result according to IAS/IFRS standards	(134,417)	6,634

	Shareholders' equity net of result	
<i>(values in € thousands)</i>	31.12.09	31.12.08
Shareholders' equity of Premafin HP S.p.A. according to Italian accounting standards	688.379	685.170
IAS 38 - Intangible assets		0
IAS 19 TFR	(55)	(31)
IAS 37 - Provisions, contingent liabilities and assets	1.187	1.796
IAS 39 Financial instruments		51
Financial assets	0	322
Financial liabilities	3.306	(6.518)
IFRS 2 - Share-based payment	379	1.163
Tax effect on IAS/IFRS adjustments		0
Shareholders' equity of Premafin HP S.p.A. according to IAS/IFRS standards	693.196	681.953
Result for the year and differences between the book value and the shareholders' equity of the companies consolidated:		
- line-by-line	3.403.761	2.730.053
- with the equity method	(3.792)	(1.597)
Derecognition of effects of intragroup transactions:		
- Intragroup dividends	54.765	76.330
- Other intragroup transactions	(98.885)	(123.511)
- Application of group accounting standards	(141.549)	233.906
- Effect of currency translation of financial statements	(7.900)	2.420
- Tax effects of consolidation adjustments	(29.701)	(43.323)
- Elimination of treasury shares	(43.183)	(43.183)
Consolidated Shareholders' equity as per IAS/IFRS	3.826.712	3.513.048
Minority interests	3.058.950	2.840.829
Group shareholders' equity according to IAS/IFRS standards	767.762	672.219

2. PROVISIONS

These total Euro 322,038 thousand (Euro 487,751 thousand at 31 December 2007) and are broken down into:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Provisions of a fiscal nature	2,273	2,271	2
Other provisions	319,765	485,480	(165,715)
Value at year-end	322,038	487,751	(165,713)

Other provisions include amounts for which uncertainty exists as to the payment date or the amount of future expenses required to comply with the obligation. Changes during the year and the breakdown are shown below.

<i>(values in € thousands)</i>	Urbanisation charges		Non-recoverable amounts from			Total
	charges	Non-fiscal disputes	Personnel charges	brokers	Other charges	
Balance sheet value at start of year	4,514	172,749	29,624	25,136	255,728	487,751
Increases in the year		7,141	6,136	3,338	10,635	27,250
Utilisation in year for charges incurred		(28,723)	(5,507)	(1,352)	(153,254)	(188,836)
Utilisation reversed through income statement		(1,974)			(2,627)	(4,601)
Change for financial charges accrued or for changes in interest rates		474				474
Balance sheet value at year-end	4,514	149,667	30,253	27,122	110,482	322,038

With regard to other provisions, further information is provided below.

Non-fiscal disputes

The provision includes the best possible estimates made by the Group to meet disputes with brokers, policyholders, personnel and third parties.

The total provision is adequate with respect to the estimated charges resulting from all the legal disputes to which the Group is party. The estimate of the provisions was made with reference to past internal experience and technical assessments by the legal advisors of the Group.

With regard to the disputes in course, the planned timelines for disbursement are not considered long enough to warrant discounting. The net effect on the income statement for the period of the discounts made is negative by Euro 0.9 million and results from the recalculation of the estimated time period for possible disbursements.

The provision also includes amounts made against the “OPA” litigation described in the litigation section of the Directors’ Report on operations. Considering the importance of the litigation, although this case currently appears favourable to the Group in light of the sentence of the Milan Appeals Court, it is considered appropriate, pursuant to IAS 37.92, not to provide details of the amounts provisioned.

Personnel charges

The provision includes probable liabilities which will arise from past employment services. In particular, the provision includes charges for vacation days not taken and leaving incentive charges already formally underwritten by the employee and by management.

In this case, given the limited time period for the payment of these charges, discounting was not considered appropriate. The decrease in the year is partly due to the costs sustained and provisions made in previous years against the renewal of the collective employment contracts in the insurance sector.

Non-recoverable amounts from brokers

The provision includes the best estimate made for measurement of the current charge deriving from possible liabilities consequent to the recharge, as per the agents’ national contract, to the new brokers in the agency mandates which have expired.

The estimate of the charge was made following the process of discounting the indemnities accrued by the agents of the Group at the reporting date. On this amount, the historical experience of the Group determined the possible loss which was in turn discounted using a risk-free interest rate curve as a financial assumption.

Urbanisation charges

This item represents a certain but estimated liability for urbanisation work to be completed, as well as the charges to be paid. The item refers to the subsidiary Immobiliare Lombarda S.p.A., operating in the property sector. There were no changes in the period.

Other charges

This item refers to provisions relating to various insignificant unitary amounts, including the maintenance provisions provided contractually by the companies operating in the property sector, or those already programmed by the companies of the Group owning buildings for the estimated cost of repairs and alterations to be made to the properties.

Also included are the leaving indemnities to be paid to different categories of employees.

The substantial decrease compared with the previous year includes Euro 150 million due to the withdrawal recognised by the subsidiary Popolare Vita to safeguard policyholders subscribing Index policies with Lehman Brothers securities as underliers.

With regard to the provisions of IAS 37, note that the Group is not aware of any potential significant assets or liabilities for which it is necessary to provide specific information.

3. TECHNICAL RESERVES

These total Euro 31,718,050 thousand and show a positive change of Euro 2,396,514 thousand compared with 2008.

The breakdown of the technical reserves is as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Non-Life unearned premium reserve	2.730.646	2.696.189	34.457
Claims reserve	8.924.047	8.570.978	353.069
Other reserves	13.542	14.444	(902)
Total Non-Life classes	11.668.235	11.281.611	386.624
Mathematical reserves	13.518.260	13.866.415	(348.155)
Reserve for sums to be paid	155.054	234.445	(79.390)
Technical reserves where risk is borne by policyholders	6.265.181	4.245.012	2.020.169
Other reserves	111.319	(305.947)	417.266
Total Life classes	20.049.815	18.039.925	2.009.890
Total technical reserves	31.718.050	29.321.536	2.396.514

At 31 December 2008, Bipiemme Vita contributed Euro 2,006 million: this reduction is offset by the increase in business from the subsidiary Lawrence Life which recorded an increase in the reserves of Euro 2,001 million.

With regard to the Non-Life segment, the premium reserve includes a reserve for unearned premiums of Euro 2,719,027 thousand and a reserve for unexpired risks of Euro 11,619 thousand.

The other technical reserves of the Non-Life classes refer entirely to the ageing reserve pursuant to Article 37 of Legislative Decree 209/05.

The claims reserve includes an IBNR claims reserve (IFRS 4 IG22C) of Euro 910,462 thousand.

With regard to the Life segment, the mathematical reserves include an additional reserve for financial risk of Euro 48,078 thousand (Euro 82,368 thousand at 31 December 2008), as indicated in ISVAP Regulation 21 of 28 March 2008, and already governed by Article 25, paragraph 12 of Legislative Decree 174/95.

The "Other technical reserves" in the Life classes include the deferred liabilities to policyholders against contracts with a discretionary participation features (IFRS

4.1G22f) for Euro 7,739 thousand (Euro -437,127 thousand at 31 December 2008). The residual amount principally relates to reserves for future expenses.

In particular, the Group considered the revaluable contracts in the Life segment, related to the returns of the segregated funds, as contracts containing a discretionary participation feature. In this case, the policyholder can in fact discretionally intervene and determine the rate of payment and the return. The shadow accounting treatment was applied to these contracts.

Financial liabilities relating to contracts with discretionary participation features, as defined by IFRS 4.2 b), are classified within the technical reserves; their book value amounted to Euro 6,360,701 thousand (Euro 7,938,105 thousand at 31 December 2008). Relating to these types of contracts, in the absence of new regulations and best practice on the valuation methodology of the fair value of the insurance reserves, it is obviously difficult to provide precise quantifications as there is a need for specific decisions on this matter at a regulatory level.

Changes in the reserves in the year are shown below:

<i>(values in € thousands)</i>	Non-Life classes	Life classes	Total
Reserve at start of period	11,281,611	18,039,925	29,321,536
Increases in the year	3,157,592	6,601,671	9,759,263
Payments (-)	(3,048,406)	(2,712,878)	(5,761,284)
Profit or loss recorded in the income statement	289,910	129,961	419,871
Reserves acquired or transferred to other insurers	(458)	(5,219)	(5,677)
Exchange difference	(12,014)	(2,003,645)	(2,015,659)
Reserve at end of year	11,668,235	20,049,815	31,718,050

“Other changes” include Euro 3 million for the Non-Life class and Euro 2,003 million for the Life class relating to the technical reserves held at 31 December 2008 by Bipiemme Vita.

4. 4. FINANCIAL LIABILITIES

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Financial liabilities at fair value through profit or loss	2,099,531	3,460,186	(1,360,655)
Other financial liabilities	3,002,972	3,170,570	(167,598)
Total	5,102,503	6,630,756	(1,528,253)

4.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise:

Financial liabilities held for trading

These total Euro 26,562 thousand (EUR 52,343 thousand at 31 December 2008).

Financial liabilities designated at fair value with an impact on profit or loss

These total Euro 2,072,968 thousand (Euro 3,460,186 thousand at 31 December 2008).

In accordance with IAS 39, the item includes investment contracts outside the scope of IFRS 4 as they do not present a significant insurance risk and are, therefore, booked using the deposit accounting method.

There are no financial liabilities in the “fair value through profit or loss” segment for which changes in fair value are not mainly due to changes in market prices.

4.2 Other financial liabilities

These total Euro 3,002,972 thousand (Euro 3,170,570 thousand at 31 December 2008).

This item includes the financial liabilities defined and governed by IAS 39 not included in the category “Financial liabilities at fair value through profit or loss”.

These include security deposits to guarantee risks ceded to reinsurers of Euro 266,089 thousand (Euro 292,767 thousand at 31 December 2008) and subordinate liabilities of Euro 1,040,425 thousand (Euro 1,050,497 thousand at 31 December 2008). Of the latter, Euro 151,776 thousand refer to the Milano Assicurazioni Group.

With regard to other payables to banks and other lenders, amounting to Euro 1,696,458 thousand (Euro 1,827,306 thousand), the most significant amounts are shown below:

- Euro 297.7 million relative to loans granted to the Parent Company Premafin HP S.p.A.
- Euro 139.4 million refers to the loan contracted by the closed-end Tikal R.E. property fund with Intesa SanPaolo, with this latter as Bank Organiser, Agent and Lender. The purpose of the loan is to improve the return on the fund's own capital and therefore the capital invested by the unit holders. The amount disbursed, which does not exhaust the loan granted in the overall nominal amount of Euro 280 million, is used for investments in new initiatives, as well as to make improvements in view of future gains or increases in income. The cost of the funding amounts to Euribor plus a variable credit spread from 70 to 110 bps. Since the previous year, the fund has made use of interest rate derivatives, of which only one remained at year-end, implementing a policy of hedging the potential risk of interest rate increases on the loan taken out.
- Euro 82.4 million refers entirely to the debt of the subsidiary Immobiliare Milano. This relates to the re-negotiation of the debt of Immobiliare Lombarda in 2005. The interest rate on the loan is Euribor plus a spread of 0.9%. The maturity dates are variable up to 2012. In the first quarter of 2007, Immobiliare Lombarda agreed a loan of approximately Euro 38 million with Efibanca, in order to acquire the equity investment in IGLI. The interest rate on this loan is Euribor plus a spread of 0.83% and the expiry date is 31 December 2012.
- Euro 76.3 million refers entirely to the debt of the subsidiary Immobiliare Fondiaria-SAI. This refers principally to the bank loan contracted by Marina di Loano with Intesa SanPaolo, falling due on 17 March 2014 with an interest rate of 3-month Euribor plus 300 bps. The company used an interest rate derivative, applying a policy of hedging the potential risk of an increase in interest rates on the loan granted. There are also two mortgages in place. The first relates to the subsidiary Crivelli, falling due on 27 June 2017 at an interest rate of 6-month Euribor plus 90 bps; the second relates to the subsidiary Meridiano Secondo, falling due on 25 September 2012 at an interest rate of 3-month Euribor plus 90 bps.
- Euro 40.2 million refers to loans taken out by Finadin, of which Euro 24 million was for the acquisition of 40% of the units of the property fund “Fondo Sei Portafoglio”.
- Euro 182.4 million for the mandatory agreed by the subsidiary Sainernational S.A., maturing in 2010.

The item also includes customer deposits with the subsidiaries BancaSai and Banca Gesfid of Euro 579,289 thousand.

5. PAYABLES

These total Euro 852,339 thousand and are broken down as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Payables from direct insurance operations	135,466	120,625	14,841
Payables from reinsurance operations	99,010	89,170	9,840
Other payables	617,863	752,585	(134,722)
Total	852,339	962,380	(110,041)

Payables deriving from direct insurance transactions comprise:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Payables to insurance brokers	95,243	99,384	(4,141)
Payables to insurance companies	37,929	17,824	20,105
Payables for policyholder deposits	798	848	(50)
Payables for guarantee provisions for policyholders	1,496	2,569	(1,073)
Total	135,466	120,625	14,841

Payables from reinsurance transactions refer to reinsurance companies for Euro 79,673 thousand (Euro 63,518 thousand in 2008) and Euro 19,337 thousand with reinsurance brokers (Euro 25,652 thousand in 2008).

The breakdown of the “other payables” is shown below:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Trade payables	312,607	231,373	81,234
Severance indemnity	88,704	84,134	4,570
Payables for taxes borne by policyholders	94,202	106,369	(12,167)
Payables for other taxes	58,947	83,120	(24,173)
Payables to social security and welfare institutions	23,879	22,203	1,676
Other payables	39,524	225,386	(185,862)
Total	617,863	752,585	(134,722)

Payables for miscellaneous tax charges include the amount of Euro 57,614 thousand for the instalment owed for tax on Life mathematical reserves as provided for by Article 1, paragraphs 2 and 2-bis of Decree Law 209/2002 (enacted as Law 265/2002).

Severance indemnity

Note that due to the 2007 Finance Act (Law 296/2006), the Complementary Pension Reform was brought forward to 1 January 2007.

Based on this reform, employees of private sector companies with 50 or more employees had the option by 30 June 2007 of allocating the severance indemnity accrued from 1 January 2007 to complementary pension funds or maintaining the amount in the company, which must then transfer these amounts to a Treasury Fund managed by INPS.

For the employees of companies with fewer than 50 employees this choice was optional. Where no choice was made by employees the severance indemnity accrued remained in the companies.

For the purposes of the actuarial valuation of the liability related to the provision of the severance indemnity in accordance with IAS 19, and applying the instructions of the technical organisations (Abi, Assirevi, the Order of Actuaries and OIC), the different cases were distinguished as follows:

For employees choosing to keep the severance indemnity at the company to which they belong: the actuarial criteria provided by IAS 19 for Defined-benefit plans were utilised.

For employees choosing to allocate the severance indemnity to complementary pensions: the portions of the severance indemnity accruing as of 1 January 2007, as a defined-contribution plan, do not fall under the scope of application of IAS 19.

The changes during the year are shown below:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Balance at start of year	84,133	86,058	(1,925)
Provision to income statement for Interest Cost	2,421	3,979	(1,558)
Provision to income statement for Service Cost	288	251	37
Actuarial gains/losses	2,387	4,744	(2,357)
Utilisations	(9,938)	(12,545)	2,607
Changes in the basis of consolidation	9,413	1,646	7,767
Balance at year-end	88,704	84,133	6,496

The decrease in market rates seen in 2008 produced a reduction in the effect of discounting future cash flows and consequently a reduction in the actuarial gains/losses components and therefore in the IAS liability. Note that actuarial gains and losses derive from changes in the assumptions including financial assumptions in the previous calculation model compared to those which occurred during the valuation period.

The principal statistical-actuarial and financial assumptions used to calculate the severance indemnity in accordance with IAS 19 are shown below.

<i>(values in %)</i>	Severance indemnity provision			
	1	2	3	4
ATAHOTELS	4,58	3,86	1,50	5,63
BANCASAI	4,80	3,86	1,50	5,63
CASA DI CURA VILLA DONATELLO	4,66	3,86	1,50	5,63
CASA DI CURA VILLANOVA	4,47	3,86	1,50	5,63
DIALOGO	4,80	3,13	1,50	3,01
EUROPA	4,35	3,13	1,50	3,01
FINITALIA	4,74	3,13	1,50	3,01
FONDIARIA-SAI	4,19	3,86	1,50	5,63
GRUPPO FS SERVIZI	4,74	3,86	1,50	5,63
IMMOBILIARE LOMBARDA	4,66	3,86	1,50	5,63
ITALRESIDENCE	4,74	3,86	1,50	5,63
LIGURIA NON-LIFE	4,19	3,86	1,50	5,63
LIGURIA LIFE	3,55	3,86	1,50	5,63
MARINA DI LOANO	4,47	3,86	1,50	5,63
MILANO ASSICURAZIONI (*)	4,35	3,13	1,50	3,01
PREMAFIN	4,04	6,83	1,50	9,57
PRONTO ASSISTANCE	4,80	3,86	1,50	5,63
SAI A.M. SGR	4,74	3,13	1,50	3,01
SAI MERCATI MOBILIARI	4,66	3,86	1,50	5,63
SIAT	4,19	3,86	1,50	5,63
SISTEMI SANITARI	4,58	3,86	1,50	5,63
SYSTEMA	4,80	3,13	1,50	3,01

(*) includes SASA Assicurazioni

1 = Discount rate

2 = Expected rate of salary increments

3 = Expected inflation rate

4 = Turnover

The average data in the year represent indicative parameters, in that they are calculated with levels of reasonable aggregation and approximation. For this reason, the methodological choices made for the analytical definition of the principal actuarial assumptions are shown below:

- Discount rate: use of an interest rate curve at the valuation date, instead of a constant curve, representative of the issue of primary corporate bonds (Bloomberg).
- Expected rate of salary increments: analysis of the historical series for the last five years (period 2008-2009) of corporate remuneration and its calibration on the basis of the collective employment contract for the sector and expected inflation. The salary increase assumptions were differentiated by contract and employee service period.
- Turnover: analysis of the historical series for the last five years (period 2008-2009) relating to the numbers of personnel leaving the company and their normalisation based on any “extraordinary” factors occurring in the past. The turnover assumptions were differentiated for contract, age and gender.
- Inflation rate: the inflation scenario was used as per the current Economic and Financial Programme Document at the valuation date.

Health care for retired employees

The Group implemented some health assistance programmes for directors in pension plans and their families. This benefit is payable to surviving spouses and supporting children. The accounting method and the actuarial assumptions are similar to those used for a defined-benefit pension plan.

The tables below show the analytical information relating to changes in the liabilities relating to executive pension health coverage, as well as the principal demographic and financial assumptions adopted for the calculation of the fund in accordance with the Projected Unit Credit Method.

Company	Provision at		Provision at		Service Cost
	31.12.09	Service Cost 2009	31.12.08	2008	
Fondiaria-SAI	15,543	140	20,885	169	
Milano	7,868	72	10,625	92	
Siat	256	9	313	10	
SAI A.M. SGR	264	2	43	6	
Total	23,931	223	31,866	277	

(values in %)	Executive Assistance			
	1	2	3	4
Fondiaria-SAI	3.77	n.a.	1.50	6.97
Milano	3.77	n.a.	1.50	5.02
Siat	3.77	n.a.	1.50	6.97
SAI A.M. SGR	3.77	n.a.	1.50	5.02

1 = Discount rate
2 = Expected rate of salary increments
3 = Expected inflation rate
4 = Turnover

Regarding assumptions of increases in health costs, an analysis was made of the historical repayment data (period 2001-2009). The increase in reimbursements may be due to two factors: the adjustment for inflation and the “natural” increase due to ageing.

6. OTHER LIABILITIES

The breakdown is as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Current tax liabilities	17.539	8.578	8.961
Deferred tax liabilities	137.761	249.586	(111.825)
Liabilities directly associated with non-current assets or disposal group classified as held for sale	3.873.998	-	3.873.998
Other liabilities	476.016	476.634	(618)
Total	4.505.314	734.798	3.770.516

6.1 Liabilities directly associated with non-current assets or disposal group classified as held for sale

The liabilities of a discontinued group held for sale relate to the book value of the liabilities of the subsidiary Bipiemme Vita.

See the related item under assets.

6.2 Deferred tax liabilities

Deferred tax liabilities, amounting to Euro 137,761 thousand (EUR 249,586 thousand at 31 December 2008), include the tax impact of any temporary differences, relative to equity or income items, intended to be reversed in future years.

The balance takes into account compensation, where permitted, with the corresponding deferred tax asset in accordance with IAS 12.

The net negative impact of deferred liabilities reversed on the income statement for the year amounts to Euro 60,373 thousand (Euro 143,361 thousand in 2008).

6.3 Current tax liabilities

These amounted to Euro 17,539 thousand (Euro 8,578 thousand at 31 December 2008) and refer to the total income tax accrued by the Group at year-end and calculated by applying the nominal tax rates in force at year-end to the respective tax bases, as determined through prudent estimates.

Recalling what was already stated in discussing current and deferred tax assets, note that the amount recorded at year-end takes into account the offsets made with the corresponding current tax assets, by the individual companies and within the Group by subsidiaries participating in the tax consolidation of Fondiaria-SAI.

Other liabilities

Other liabilities amounted to Euro 476,016 thousand (Euro 476,634 thousand at 31 December 2006) and were broken down as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Commissions on premium collection	126,061	133,648	(7,587)
Deferred commission expense for Life policy holder investment management services	25,873	69,173	(43,300)
Cheques issued against claims and life sums collected by the beneficiaries after 30/06/08	32,033	35,733	(3,700)
Transitory reinsurance accounts	2,058	950	1,108
Other liabilities	289,991	237,130	52,861
Total	476,016	476,634	(618)

Risks and commitments not recorded in the statement of financial position

In accordance with the international accounting standards (IAS/IFRS), the financial statements must not solely contain accounting data, but also information on the risks and uncertainties facing the company, in addition to resources and commitments not present in the statement of financial position.

The classification proposed by these accounting standards requires that the memorandum accounts are shown “under the line” of the statement of financial position relating to risks and commitments assumed by the company and assets of third parties held.

Secured guarantees by the Group in favour of third parties

These total Euro 613,320 thousand, compared with Euro 1,110,919 thousand for the previous year, and include: Euro 205,200 thousand for mortgages in favour of lender banks on property owned by it; Euro 49,658 thousand for secured guarantees relative to bank deposits on which there is a pledge, in relation to claims disputes; and Euro 4,813 thousand relating to assets put on deposit to secure inward reinsurance transactions.

Other guarantees by the Group in favour of third parties

Other guarantees amounted to Euro 53,182 thousand, compared with Euro 27,952 thousand for the previous year, and mainly involve guarantees issued on behalf of third parties.

Guarantees provided by third parties on behalf of the Group

At year-end, these amounted to Euro 129,448 thousand (Euro 169,797 thousand in 2008) and mainly included guarantees issued in favour of the Direct Indemnity Consortium and in favour of CONSAP to secure the commitments deriving from the CARD agreement.

Guarantees received

The balance at year-end amounted to Euro 209,393 thousand (Euro 261,168 thousand in 2008) and was made up primarily of bank guarantees provided on behalf of third parties to guarantee policies issued in the Bonds class for Euro 100,000 thousand.

It also included a capitalisation policy provided as a pledge in the amount of Euro 50,000 thousand to cover any damage attributable to the previous management, which Fondiaria-SAI may sustain as a result of the acquisition of Liguria Assicurazioni. There are also guarantees from the previous shareholder of Liguria Assicurazioni, on the outcome of the revision process of the price of the company acquired.

Commitments

These amounted to Euro 951,508 thousand and included various commitments, ranging from the property sector to the securities industry.

Commitments relating to property transactions included Euro 58,076 thousand yet to be paid for the closing of the property transactions of Milano-Isola and Rome, Via

Fiorentini. These transactions, undertaken in previous years, resulted in the sale to third parties, by the subsidiary Milano Assicurazioni, of the above-mentioned land and the purchase of the buildings. A further Euro 71,490 thousand refers to the commitments undertaken by Group companies for construction, modernisation and restructuring works.

The securities to be delivered amounted to Euro 35,682 thousand, and those to be received amounted to Euro 35,023 thousand, being recognised against purchase and sale transactions made in 2009, but settled in the early part of 2010. Commitments also exist of Euro 134,206 thousand for repurchase transactions.

Finally, there are guarantees in favour of third parties of Euro 148,432 thousand issued against a portfolio in foreign currency guaranteed by own clients.

With regard to the mandatory convertible bond issue, there are commitments in the amount of Euro 180,400 thousand for the delivery to noteholders at the bond's maturity of the Intesa SanPaolo shares subject to conversion.

PART C

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1.1 NET PREMIUMS

Consolidated net premiums amounted to Euro 11,888,742 thousand (Euro 11,153,553 thousand in 2008).

The Group's gross written premiums amounted to Euro 12,306,627 thousand, up 6.96% compared with 2008, and were broken down as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Gross Life premiums written	5.137.011	4.208.340	928.671
Gross Non-Life premiums written	7.169.616	7.298.083	(128.467)
Change in gross written premium reserve	38.584	13.337	25.247
Total Non-Life classes	7.131.032	7.284.746	(153.714)
GROSS WRITTEN PREMIUMS	12.268.043	11.493.086	774.957

The item "Gross written premiums" does not include the cancellation of securities issued in previous years, which were recorded in the item "Other costs". The above amounts are shown net of inter-group reinsurance. For the breakdown of gross written premiums among the different classes in the financial statements and the division between direct and indirect business, see the tables in the Directors' Report on operations.

Premiums ceded, totalling Euro 395,848 thousand, accounted for 3.2% of total premiums issued (3.0% for 2008).

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Life classes	28.207	22.777	5.430
Non-Life classes	367.641	323.974	43.667
Change in premium reserve attributable to reinsurers	(16.547)	(7.218)	(9.329)
Total Non-Life classes	351.094	316.756	34.338
PREMIUMS CEDED TO REINSURERS	379.301	339.533	39.768

The Group's reinsurance policy has had a positive effect on the consolidated financial statements of Euro 1,015 thousand (Euro 520 thousand in the Non-Life class).

In accordance with IFRS 4.37, b), ii), note that the Group does not defer and amortise gains and losses deriving from reinsurance.

For further breakdowns of the Non-Life and Life classes of item 1.1 of the income statement, see the appendix at the end of the financial statements.

1.2 COMMISSION INCOME

Commission income for 2009 amounted to Euro 70,686 thousand, with a change compared to 2008 of Euro -18,633 thousand.

The item includes both explicit and implicit loading relating to investment contracts issued by the Group companies and, as such, outside the scope of IFRS 4, as well as the commissions for the management of internal funds. Of this, approximately Euro 22 million refers to the subsidiary Popolare Vita. It also includes approximately Euro 48 million of commission income accrued by the companies operating in fund management and consumer credit.

1.3 NET INCOME FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This item amounted to Euro 900,347 thousand, with an increase compared to 2008 of Euro 1,246,956 thousand.

<i>(values in € thousands)</i>	Net interest	Other net income	Realised gains	Realised losses	Unrealised gains and reversal of impairment losses and restated values	Unrealised losses and impairment losses and restated values	Total	31.12.09	Total 31.12.08	Change
<i>Result of investments from:</i>										
- Financial assets held for trading	1.880	35.493	41.715	(34.309)	11.541	(12.288)	44.032	(103.480)	147.512	
- Financial assets designated at fair value through profit or loss	302.451	(5.725)	136.781	(70.484)	660.790	(169.820)	853.993	(227.266)	1.081.259	
- Financial liabilities held for trading	-	-	-	-	10.050	(7.728)	2.322	(15.862)	18.184	
Total	304.331	29.768	178.496	(104.793)	682.381	(189.836)	900.347	(346.608)	1.246.955	

The reasons for the significant increase are firstly attributable to the positive changes in fair value where the investment risk is borne by the policyholders.

As noted, these positive variations are reflected in similar Group commitments towards its policyholders.

The investment result on financial assets at fair value through profit or loss includes Euro 856,701 thousand relative to Class D investments, offset by a similar negative change in commitments to policyholders.

The valuation capital losses also include Euro 57 thousand relative to write-downs made by the subsidiary Popolare Vita on securities with a Lehman underlier to take into account a recovery rate of 20: this charge is fully offset by a release of the provision by Popolare Vita in the previous year.

1.4.-1.5-2.3-2.4 FINANCIAL INCOME AND CHARGES FROM EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

<i>(values in € thousands)</i>	Net interest	Other net income	Realised gains	Realised losses	Unrealised gains and reversal of impairment losses and restated values	Unrealised losses and impairment losses and restated values	Total	31.12.09	Total 31.12.08	Change
<i>Result from:</i>										
- Investment property	-	39.894	63.340	(6.769)	-	(62.593)	33.872	57.504	(23.632)	
- Equity investments in subsidiaries, associates and joint ventures	-	(93.362)	-	-	-	-	(93.362)	30.473	(123.835)	
- Investments held to maturity	-	(79)	-	-	-	-	(79)	5.719	(5.798)	
- Loans and receivables	104.980	420	180	(7.092)	1.308	(3)	99.793	64.798	34.995	
- Financial assets available-for-sale	606.697	80.076	135.154	(96.567)	3.283	(157.010)	571.633	702.154	(130.521)	
- Miscellaneous receivables	38.626	(387)	-	-	-	-	38.239	14.058	24.181	
- Cash and cash equivalents	15.872	(517)	-	-	-	-	15.355	37.886	(22.531)	
- Other financial liabilities and miscellaneous payables	(111.548)	(989)	23	-	-	-	(112.514)	(154.464)	41.950	
Total	654.627	25.056	198.697	(110.428)	4.591	(219.606)	552.937	758.128	(205.191)	

With regard to equity investments in subsidiaries, associates and joint ventures, the item "Other net income" includes impairment of the associate IGLI for Euro 55 million following the recalculation of the implicit book value of Impresilo. The item "Profit realised" includes Euro 1.2 million for the disposal by the subsidiary International Strategy S.r.l. of its property assets. The subsidiary Finadin S.p.A. began receiving

income from investment in the property fund “Sei Fondo Portafoglio”, on which it identified an unrealised capital gain at year-end of Euro 1.6 million.

The realised profit and loss columns show the economic effects of the sale of various financial instruments.

The valuation capital losses on investment property include the depreciation recorded in the year, as well impairment of Euro 12.9 million.

The valuation capital losses on available-for-sale (AFS) financial instruments, amounting to Euro 157 million, included the impairment registered in accordance with the valuation policy already described in discussing the related asset items.

The interest expense on other financial liabilities includes Group debt charges.

During the year interest income was not accrued on financial assets written down for impairment in previous years (IAS 32.94h).

For appendix 11, see the end of the financial statements.

1.6 OTHER REVENUES

Other revenues amounted to Euro 691,528 thousand (Euro 469,610 thousand in 2008) and are summarised in the following table:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Capital gains related to non-current assets	20	18	2
Other technical insurance income	71,478	90,872	(19,394)
Utilisation of provisions	206,025	23,148	182,877
Exchange difference	3,385	735	2,650
Prior year income	24,313	31,048	(6,735)
Profits realised on property, plant and equipment	28,961	105	28,856
Other revenues	357,346	323,684	33,662
Total	691,528	469,610	221,918

The item “Utilisation of provisions” includes Euro 150 million relating to the allocation made in the previous year by the subsidiary Popolare Vita against restructuring charges for index-linked policies with underlying Lehman Brothers securities; the amount of these charges was not firmly established until the first part of the present year.

The item “Gains realised on property, plant and equipment” principally relates to the realisation of capital gains arising from transferral to the Rho property fund of premises for business use.

The item “Other revenues” also includes the following income:

- Euro 154 million relative to the revenues of subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano, whose properties, being treated as inventory, are classified under property, plant and equipment: the respective change in inventory amounts to Euro 17 million
- Euro 74 million relating to operating revenues of the subsidiary Atahotels
- Euro 41 million in revenues from the Group’s retirement home subsidiaries
- Euro 10 million in revenues from the agriculture business
- Euro 8 million relating to the health services activities of the subsidiary Sistemi Sanitari S.c.r.l.

2.1 NET CHARGES RELATING TO CLAIMS

The claims paid, including the sums for the Life class and the respective expenses, gross of the portion ceded to reinsurers, came to Euro 11,872,025 thousand, down 20% compared with the previous year.

Claims costs, amounts paid and changes in technical reserves

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Amounts paid	5.697.312	5.851.572	(154.260)
Change in recoveries	(127.487)	(71.518)	(55.969)
Change in other technical reserves	799	74	725
Change in claims reserve	359.162	(455.994)	815.156
Total Non-Life	5.929.786	5.324.134	605.652
Amounts paid	2.620.620	4.042.926	(1.422.306)
Change in mathematical reserves and other technical reserves	1.319.332	(309.811)	1.629.143
Change in technical reserves where investment risk is borne by policyholders and from pension fund management	2.330.677	111.449	2.219.228
Change in Life sums to pay reserve	(44.670)	(42.094)	(2.576)
Total Life	6.225.959	3.802.470	2.423.489
Total Non-Life + Life	12.155.745	9.126.604	3.029.141
Amounts paid	8.190.445	9.822.980	(1.632.535)
Change in reserves	3.965.300	(696.376)	4.661.676

Claims costs, reinsurers' portion

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Amounts paid	213.004	200.648	12.356
Change in recoveries	18.803	(18.085)	36.888
Change in other technical reserves	-	-	-
Change in claims reserve	27.092	(42.749)	69.841
Total Non-Life	258.899	139.814	119.085
Amounts paid	36.244	34.530	1.714
Change in mathematical reserves and other technical reserves	(10.866)	(11.541)	676
Change in Life sums to pay reserve	(557)	(1.246)	689
Total Life	24.821	21.743	3.079
Total Non-Life + Life	283.720	161.557	122.164
Amounts paid net of recoveries	268.051	217.093	50.958
Change in reserves	15.669	(55.536)	71.206

The change in the net technical reserves of the Non-Life class amounted to Euro 332,869 thousand, up Euro 746,040 thousand on 2008.

The change in the Non-Life claims reserve is also due to the decision to use particularly prudent reserve criteria in the Motor TPL class, taking account of the greater number of personal injury claims and the increase in the average cost of such claims due to the new claims indemnity tables adopted by the Milan Court, which the other Italian courts are now applying.

The decrease in the sums paid by the Life classes is due to lower demand for advance surrender of the large securitisation products for “institutional” clients in the subsidiaries Fondiaria-SAI and Milano Assicurazioni.

The increase in the change of the Class D reserves is due to the increases already described in the premiums written by the subsidiary Lawrence Life.

The change in the net technical reserves of the Life class, including the reserve for sums payable, was Euro 3,616,762 thousand (Euro -227,669 thousand in 2008).

For further details on the Non-Life and Life segments in item 2.1 of the income statement, see appendix 10 at the end of the financial statements.

2.2 COMMISSION EXPENSE

The commission expense for 2009 amounted to Euro 38,261 thousand, with a change from 2008 of Euro 5,650 thousand.

2.5 OPERATING EXPENSES

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Acquisition commissions and change in deferred acquisition costs	1,111,175	1,147,767	(36,592)
Other acquisition expenses	207,359	200,891	6,468
Collection commissions	39,179	35,702	3,477
Commissions and sharing of profits received from reinsurers	(92,715)	(73,344)	(19,371)
Total Non-Life	1,264,998	1,311,016	(46,018)
Acquisition commissions and changes in deferred acquisition costs	140,852	133,397	7,455
Other acquisition expenses	46,026	24,076	21,950
Collection commissions	10,132	11,419	(1,287)
Commissions and sharing of profits received from reinsurers	(3,881)	(1,082)	(2,799)
Total Life	193,129	167,810	25,319
Investment management charges	12,643	18,180	(5,537)
Other administration expenses	449,144	461,624	(12,480)
Total	1,919,914	1,958,630	(38,716)

The acquisition costs accrued during the year amounted to Euro 1,505,412 thousand, as shown in the table below:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Part sustained and expensed in year	1,429,171	1,425,535	3,636
Part from amortisation and depreciation of capitalised costs in previous years	76,241	80,596	(4,355)
Value at year-end	1,505,412	1,506,131	(719)

2.6 OTHER COSTS

Other costs amounted to Euro 820,353 thousand (Euro 1,015,005 thousand in 2008), and are summarised by type in the table below:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Other technical insurance charges	268,085	296,855	(28,770)
Provisions	65,619	271,574	(205,955)
Losses on receivables	11,850	16,384	(4,534)
Prior year charges	29,650	30,305	(655)
Depreciation of property, plant and equipment	14,497	14,618	(121)
Amortisation of intangible assets	66,588	94,071	(27,483)
Exchange difference	596	8,847	(8,251)
Other costs	363,468	282,351	81,117
Total	820,353	1,015,005	(194,652)

The item "Provisions" in the previous year included Euro 150 million provisioned by the subsidiary Popolare Vita against the restructuring of index-linked policies with underlying Lehman securities.

In particular, the sub-item "Other costs" relates to the following charges:

- Euro 151 million relating to operating costs of the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano
- Euro 75 million relating to the operating costs of the newly acquired Atahotels
- Euro 40 million relating to labour costs and vehicle spare parts of the subsidiary Auto Presto & Bene
- Euro 31 million relating to the costs incurred by the retirement home subsidiaries of the Group for operating and personnel costs
- Euro 10 million relates to write-downs of property recorded as inventory
- Euro 6 million relating to the operating costs of the subsidiary Saiagricola.

3. INCOME TAXES

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Costs (revenues) for current taxes	87,556	68,282	19,274
Adjustments for current tax from prior years	17,544	(882)	18,426
Deferred tax liabilities arising in the year	26,540	222,279	(195,739)
(-) Deferred tax liabilities utilised in the year	(215,241)	(78,918)	(136,323)
(-) Deferred tax assets arising in the year	(108,588)	(186,344)	77,756
Deferred tax assets utilised in the year	76,527	63,474	13,053
Deferred tax costs (revenues) from changes in tax rates or the introduction of new taxes	-	-	-
Income for deferred tax assets arising in previous years and not previously recorded used to reduce current taxes	-	-	-
Income for deferred tax assets arising in previous years and not previously recorded used to reduce deferred taxes	(17,155)	(4,005)	(13,150)
Costs (revenues) relating to write-downs (restated values) of deferred tax assets recorded in the previous year	-	(7)	7
Changes due to changes in estimates pursuant to IAS 8	-	-	-
Total	(132,817)	83,879	(216,696)

Income taxes for the year were positive at Euro 132,817 thousand (negative for Euro 83,879 thousand in 2008) as the combined effect of current tax of Euro 105,099 thousand against positive net deferred tax of Euro 237,916 thousand.

Current income taxes include adjustments to taxes relating to previous years totalling Euro 17,544 thousand.

This amount is determined by increased taxes of Euro 18,476 thousand for Fondiaria-SAI as a result of a settlement accepting a Tax Deficiency Notice containing tax findings for 2004 to 2006, net of adjustments to the sum already allocated to the tax provision in previous years. On the other hand, lower current taxes resulting from tax refunds or adjustments to previous provisions amounted to Euro 932 thousand, of which Euro 822 thousand refers to Fondiaria Nederland and the remainder to the subsidiary Finitalia.

Current income taxes are determined based on the nominal rates in force at the reporting date in the individual countries. Italian income taxes (IRES income tax and IRAP regional tax) are determined by applying the respective rates in force of 27.5% for IRES and 3.9% for IRAP. In the calculation of the IRAP regional tax for the year, account was also taken, through prudent valuations, of any increases or reductions in rates made by some regions with reference to particular categories.

Current income taxes also include substitute taxes paid following the option, exercised or to be exercised, for separate taxation, calculated based on the rates set out by specific legislation.

Deferred taxes resulted in a reduction in the fiscal charge of Euro 237,967 thousand.

Of these, Euro 2,000 thousand refers to the reversal of prepaid tax by the subsidiary Itiberia S.A. following adjustments made in the year.

By contrast, deferred tax assets accrued during the year relative to previous periods amounted to Euro 17,155 thousand, due entirely to the savings related to the tax losses of the subsidiaries Immobiliare Fondiaria-SAI and Immobiliare Milano after a favourable opinion was issued on the appeal filed with the financial authorities regarding the possibility of recovery through deduction from future income.

The reconciliation between the fiscal charge recorded in the financial statements and the theoretical fiscal charge, calculated using the nominal IRES rate in force for the years 2008-2009 of 27.5%, is as follows:

<i>(values in € thousands)</i>	31.12.09	31.12.08	Change
Profit (loss) before taxes	(546,312)	152,691	(699,003)
Taxes on theoretical income (excluding IRAP)	(150,236)	41,990	(192,226)
Tax effect from changes in permanent differences in taxable income			
	13,355	(10,207)	23,562
Tax effect from utilisation of previous year's tax losses	(1,944)	(4,014)	2,070
Tax effect from share of results of associates	420	576	(156)
Tax effect from foreign tax rates	(7,968)	(3,476)	(4,492)
Tax effect from changes in the nominal rate	-	-	-
Other differences	27,730	17,865	9,865
Income tax (excluding IRAP regional tax)	(118,643)	42,734	(860,380)
IRAP	(14,174)	41,144	(55,318)
Total income taxes recognised for the year	(132,817)	83,878	(860,380)

For a better understanding of the reconciliation between the effective fiscal charge in the financial statements and the theoretical fiscal charge, account was not taken of the IRAP regional tax effect, as the tax base for this tax is substantially distorted and therefore not comparable in respect of the pre-tax result.

The tax effect related to permanent fiscal changes resulted in an increase in the fiscal charge of Euro 13,355 thousand.

The change from the previous year is principally related to the lower impact of the positive income components which, net of consolidation adjustments, are exempt from tax. These notably include the lower amount of dividends for the year, in addition to a substantial decrease in capital gains realised, by the subsidiaries Fondiaria-SAI and Milano Assicurazioni, on equities with the requirements stipulated by Article 86 of Presidential Decree 917/1986 (PEX) and on derivatives hedging these securities.

The increases include, for Euro 5,313 thousand, the effect, in terms of higher taxes, related to the irrelevance for tax purposes, i.e. non-deductibility, of the loss contributed by the subsidiary Tikal R.E. property fund.

The theoretical fiscal charge is reduced by Euro 1,944 thousand due to the use of previous losses for tax purposes, specifically by the foreign subsidiaries Lawrence Life, for Euro 1,007 thousand, Finsai International, for Euro 720 thousand, and Sailux, for Euro 207 thousand.

Again with reference to the foreign subsidiaries, the neutralisation of the impact on the theoretical fiscal charge of the results reported by these subsidiaries compared with the charge determined in accordance with the tax rates in force in the respective countries led to a total tax saving of Euro 7,968 thousand.

This change is due primarily to the fact that corporate income tax was lower for the Irish companies Lawrence RE (by Euro. 3,865 thousand) and Lawrence Life (by Euro

2,480 thousand), also increasing the effect of the differential between the national rate and foreign rates compared with the previous year.

The other differences, which have an impact in terms of overall increased charges of Euro 21,664 thousand, are due to the combined effect of, *inter alia*:

- higher taxes of Euro 27,027 thousand, due to the recognition of substitute tax relating to the separate taxation of the capital gains on properties contributed to the Rho fund, net of the percentage adjusted on consolidation, in addition to substitute taxes recognised by Fondiaria-SAI following the realignment of the higher depreciation for tax purposes in accordance with Article 1, paragraph 48, of Law 244/2007 (2008 Finance Act)
- higher charges due to adjustments to current income taxes of Euro 18,476 thousand
- higher tax of Euro 5,460 thousand relating to the estimated tax losses of some subsidiaries, for which it was not considered appropriate, including for reasons of prudence, to record the deferred tax
- lower tax as a result of the prepaid tax accrued, net of reversals, for previous years of Euro 12,675 thousand and related in particular to tax losses in previous tax years
- reversals of deferred tax liabilities accrued in previous years against the already mentioned realignment undertaken by the subsidiary Fondiaria-SAI for Euro 12,907 thousand.

In relation to the change in deferred tax liabilities, the provision mainly relates to adjustments to the value of goodwill and other intangible assets made pursuant to IAS 38. The substantial decrease on 2008 is due to the fact that the year 2008 was impacted by adjustments made, in accordance with IAS 39, on net income from investments in securities due to the financial crisis, which hit the financial markets hard in the final part of the year.

The strong recovery during 2009 of the values of the same securities, adjusted in accordance with the above-mentioned IAS 39 with related recognition in equity, resulted in the reversal of tax previously accrued of Euro 129,566 thousand. The remaining reversals comprise, *inter alia*, Euro 19,988 thousand for reversals of taxes accrued on depreciation for tax purposes after the exercise of the abovementioned realignment option; Euro 16,160 thousand for the recording on consolidation of amortisation of long-term commissions; and Euro 15,745 thousand for the amortisation of the Value In Force of Popolare Vita for Euro 6,264 thousand, on the Value of Business Acquired of BPM Vita for Euro 7,144 thousand and on that of Liguria for Euro 2,337 thousand.

Utilisations of deferred tax liabilities also include Euro 9,329 thousand relating to the reversal of capital gains tax on property and securities for previous years.

The deferred tax assets arising in the year, net of those reversed, reduced the fiscal charge by Euro 43,734 thousand.

Taxes arising include Euro 35,984 thousand relating to the deduction of part of the change in the claims reserves of the Non-Life class and Euro 17,867 thousand relating to write-downs on receivables from policyholders. Added to these amounts are the taxes accrued, for Euro 22,150 thousand, on tax losses in previous years and taxes arising on the lower depreciation of properties for IAS purposes for Euro 13,428 thousand.

Meanwhile, reversals of prepaid taxes include Euro 13,635 thousand relating to the reversal deducting the commission expense of the Non-Life class and Euro 8,388 thousand relating to the deduction of write-downs on receivables from policyholders in previous years.

At the reporting date, the aggregate amount of the temporary differences relating to the undistributed profits of the subsidiaries did not give rise to recognition of deferred tax liabilities. This is because the Group is able to control the timeline for cancellation of these temporary differences. The temporary differences deriving from associated companies are negligible.

As additional information to that required by IAS 12 - *Income Taxes*, note that the assets and liabilities from deferred and prepaid tax at the end of the year amount, respectively, to Euro 174,230 thousand and Euro 137,761 thousand.

4. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

Of the amount recognised of Euro 682 thousand, Euro 485 thousand refers to the income and charges for 2009 of Bipiemme Vita S.p.A., included in this item pursuant to IFRS 5, as a result of the abovementioned agreement between Banca Popolare di Milano S.c.a. r.l. and Milano Assicurazioni S.p.A. for the mutual winding-up of the partnership in the bancassurance sector.

Specifically, the amount of Euro 485 thousand derives from the 2009 profit of Bipiemme Vita, determined using IAS/IFRS standards (Euro 16,751 thousand) and from negative consolidation adjustments (Euro 16,266 thousand). Pursuant to paragraph 15 of IFRS 5, these adjustments include charges of Euro 3,637 thousand deriving from the valuation of the company at the lower of the book value and the fair value, which is equal to the agreed sale price.

FURTHER INFORMATION

Regarding the nature of costs for the year (IAS 1.93), in addition to what is already listed in the financial statements under "Other costs", note that total Group personnel costs amount to Euro 430 million (Euro 408 million at 31 December 2008).

Earnings per share

Earnings (loss) per share is calculated by dividing the Group net result attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the year. Note that the weighted average of shares outstanding is reduced by the weighted average of the treasury shares held by the Fondiaria-SAI Group.

Diluted earnings (loss) per share is the same as basic earnings per share as account is not taken of potential savings shares to service the stock option plans in the absence of any diluting effects.

<i>(values in € thousands)</i>	31.12.09	31.12.08
Net profit attributable to the shareholders of the Parent Company	(134,417)	6,634
Weighted average number of ordinary shares to calculate the basic earnings per share	382,775,895	382,775,895
Basic earnings per share	(0.351)	0.017
Dilution effect		
Weighted average number of ordinary shares to calculate diluted earnings per share	382,775,895	382,775,895
Diluted earnings per share	(0.351)	0.017

Stock options plans

On 14 July 2006, the Board of Directors of Fondiaria-SAI approved the allocation of options under the Fondiaria-SAI 2006-2011 stock option plans for executive directors and managers of Fondiaria-SAI, its subsidiaries and the Parent Company for the purchase of Fondiaria-SAI saving shares. The allocation by the Board implements the resolution of the extraordinary shareholders' meeting of Fondiaria-SAI of 28 April 2006. The Board of Directors' meeting of 20 June 2007 resolved to bring forward the expiration of the vesting period established in the stock option plan regulations.

Accounting principle IFRS 2 - *Share-based payments* requires recognition in the income statement of implicit costs related to employee share plans. In the case of stock options, the regulations stipulate recognition in the financial statements of the service received, as the working performance of the stock option beneficiaries, valued at the fair value of the options paid.

The stock option plans consequently increase the personnel costs recorded in the consolidated financial statements, and it was therefore necessary to identify appropriate valuation models to determine the fair value of the options and therefore of the personnel costs to be recorded.

The fair value of the options was calculated using the Black-Scholes model, which, as well as information such as the exercise price and duration of the option, takes into account the current price of the shares and the expected volatility, the expected dividends and the risk-free interest rate, as well as the specific features of the plan.

The historical volatility of the share price in the most recent period is normally measured at the expected end of the option. As we have three vesting periods, there were three historically different volatilities, commencing from the closing price of the saving shares of Fondiaria-SAI:

	2 years	3 years	4 years
Estimated volatility %	21.913	21.571	22.201

The dividend yield is the value of the dividends as a percentage of the share price at the launch date. IFRS 2 (appendix B, paragraph 35) stresses that in this case the historical trend of dividend increases should be considered. As the stock option plan depended on the achievement of some targets in the 2006/2008 Industrial Plan, including an expected increase in dividends, the numerator was increased by 25%, in line with the increase in the pay-out provided for by the Plan. The dividend yield was therefore equal to:

	2 years	3 years	4 years
Dividend Yield %	5.678	5.678	5.678

The risk-free interest rate corresponds to the implicit return currently available on the zero-coupon government bonds of countries in which the exercise price is expressed in their currency, with a residual term equal to the expected term of the option to be valued (IFRS 2 - appendix B, paragraph 37). Consequently, three different Annual Euro Swaps were considered, according to the vesting period:

	2 years	3 years	4 years
Risk free rate %	3.735	3.829	3.901

Regarding the effects on the share-based payment operations in the Group's income statement and statement of financial position, the table below shows the total costs of the Group:

	No. options granted	Residual life	Optional value	Total cost	Cost at 31 December 2009
<i>(values in €)</i>					
Tranche A	6,000,000	0	2.792	16,654,148	-
Tranche B	4,500,000	0	2.708	12,111,950	-
Tranche C	4,500,000	0	2.809	12,563,540	2,713,364
Total	15,000,000			41,329,638	2,713,364

The cost for 2009, amounting to Euro 2.7 million, decreased compared with 31 December 2008, when it was Euro 8.4 million. This decrease is due exclusively to the fact that all of the options are now exercisable.

From an equity viewpoint, as the plan is not a cash-settled plan, the cost recorded in the financial statements goes to a corresponding equity reserve. The following table shows the status of the stock option plan at 31 December 2009:

outstanding at the beginning of the year	granted in the year	cancelled in the year	exercised in the year	expired in the year	outstanding at year-end	exercisable at year-end
15,000,000	0	0	0	0	15,000,000	0

PART D – SEGMENT INFORMATION

In accordance with IFRS 14, segment reporting provides readers of the financial statements with an additional tool to better understand the Group's operational and financial performance.

The underlying logic in the application of the principle is to provide information on the manner in which the Group results are formed, consequently providing information on the overall operations of the Group, and, specifically, on the areas where profit and risks are concentrated.

The primary reporting of the Group is by business segment. The Group companies are organised and managed separately based on the nature of their products and services, for each business segment, which represents a strategic business unit offering different products and services.

In order to identify the primary segments, the Group analysed the risk-return profile of the segments and examined the internal reporting structure. The Non-Life segment provides insurance cover for events pursuant to Article 2, paragraph 3 of Legislative Decree 209/2005. The Life segment offers insurance cover with payment of capital or an annuity against an event relating to human life.

The Real Estate segment rents offices, buildings and residential homes which exceed the coverage requirements of the technical/assurance reserves of the Group and actively operates in the management and enhancement of investment property.

The Other Activities segment, by its nature residual, offers products and services in fund management and asset management, as well as in the agricultural sector. The identification of the residual segment is based on a discretionary valuation to show the primary sources of risks and benefits for the Group.

Inter-segment transactions are generally carried out under arm's-length conditions.

Lastly, note that ISVAP Regulation 7/07 considered it appropriate to highlight the Non-Life and Life segments as the minimum disclosure required for segment reporting.

Also note that, due to its geographical distribution, the activities of the Group during 2008 were carried out primarily in the European Union.

The following pages show the statement of financial position and income statement broken down by segment.

PREMAFIN FINANZIARIA - S.P.A.
 Holding di Partecipazioni
 CONSOLIDATED FINANCIAL STATEMENTS
 AT 31 DECEMBER 2009
 (Values in € thousands)

STATEMENT OF FINANCIAL POSITION
 BY BUSINESS SEGMENT

	NON-LIFE CLASS		LIFE CLASS		PROPERTY		OTHER		INTER-SEGMENT ELIMINATIONS		TOTAL													
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08												
1	INTANGIBLE ASSETS																							
	941.198	994.377	705.587	835.139	123.909	7.636	189.602	126.526	-	-	1.960.296	1.963.678												
2	PROPERTY, PLANT AND EQUIPMENT																							
	116.464	369.137	7.800	13.700	680.780	765.987	129.663	99.348	(27)	(26)	934.680	1.248.146												
	TECHNICAL RESERVES																							
3	ATTRIBUTABLE TO REINSURERS																							
	690.169	636.655	180.131	196.893	-	-	-	-	-	-	870.300	833.548												
4	INVESTMENTS																							
	8.842.056	8.358.065	22.931.287	22.214.796	1.189.273	1.571.265	1.780.977	1.824.255	(533.114)	(540.261)	34.210.479	33.428.120												
4.1	Investment property	1.602.876	1.122.331	27.085	35.591	920.009	1.271.595	49.985	53.560	-	-	2.599.955	2.483.077											
4.2	Equity investments in subsidiaries, associates and joint ventures	412.334	67.219	62.143	-	140.216	184.694	(272.694)	239	-	-	341.999	252.152											
4.3	Investments held to maturity	-	-	810.323	845.789	-	-	-	-	(1.850)	-	808.473	845.789											
4.4	Loans and receivables	557.511	640.700	1.190.212	380.873	54.341	38.155	1.621.129	1.267.333	(515.184)	(535.641)	2.908.009	1.791.420											
4.5	Financial assets available-for-sale	6.188.437	6.391.901	12.323.418	13.166.433	71.662	73.969	329.498	347.324	(16.080)	(4.620)	18.896.935	19.975.007											
4.6	Financial assets at fair value through profit or loss	80.898	135.914	8.518.106	7.786.110	3.045	2.852	53.059	155.799	-	-	8.655.108	8.080.675											
5	OTHER RECEIVABLES																							
	2.290.858	2.280.164	318.909	238.978	90.245	124.192	320.212	81.404	(596.750)	(203.433)	2.423.474	2.521.305												
6.	OTHER ASSETS																							
	734.271	706.527	4.476.593	475.805	40.479	37.211	50.129	52.632	(377.803)	(324.674)	4.923.669	947.501												
6.1	Deferred acquisition costs	111.436	187.327	30.675	39.641	-	-	-	-	-	-	142.111	226.968											
6.2	Other assets	622.835	519.200	4.445.918	436.164	40.479	37.211	50.129	52.632	(377.803)	(324.674)	4.781.558	720.533											
7	CASH AND CASH EQUIVALENTS																							
	596.641	449.889	132.603	295.145	65.137	89.975	169.995	169.585	(373.131)	(227.811)	591.245	776.783												
	TOTAL ASSETS											14.211.657	13.794.814	28.752.910	24.270.456	2.189.823	2.596.266	2.640.578	2.353.750	(1.880.825)	(1.296.205)	45.914.143	41.719.081	
1	CAPITAL AND RESERVES												3.413.898	3.581.860										
2	PROVISIONS												240.256	271.431	24.675	165.693	24.195	18.120	32.912	32.507	-	-	322.038	487.751
3	TECHNICAL RESERVES												11.668.235	11.281.611	20.049.815	18.039.925	-	-	-	-	-	-	31.718.050	29.321.536
4	FINANCIAL LIABILITIES												1.191.283	1.289.413	2.706.691	4.110.268	304.825	451.068	1.800.005	1.537.540	(900.301)	(757.533)	5.102.503	6.630.756
4.1	Financial liabilities at fair value through profit or loss	7.519	-	2.071.703	3.401.918	2.037	1.120	18.272	57.148	-	-	2.099.531	3.460.186											
4.2	Other financial liabilities	1.183.764	1.289.413	634.988	708.350	302.788	449.948	1.781.733	1.480.392	(900.301)	(757.533)	3.002.972	3.170.570											
5	PAYABLES												785.868	722.792	158.715	169.695	86.512	163.867	419.946	109.504	(598.701)	(203.479)	852.340	962.379
6	OTHER LIABILITIES												537.508	510.121	4.241.938	488.784	30.740	31.937	76.922	39.122	(381.794)	(335.166)	4.505.314	734.798
	TOTAL LIABILITIES, CAPITAL AND RESERVES											45.914.143	41.719.080											

PREMAFIN FINANZIARIA - S.P.A.
 Holding di Partecipazioni

BILANCIO CONSOLIDATO
 AL 31 DICEMBRE 2009
 (Values in € thousands)

INCOME STATEMENT
 BY BUSINESS SEGMENT

	NON-LIFE CLASS		LIFE CLASS		PROPERTY		OTHER		INTER-SEGMENT ELIMINATIONS		TOTAL	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
1.1 Net premiums	6.779.939	6.967.990	5.108.803	4.185.563	-	-	-	-	-	-	11.888.742	11.153.553
1.1.1 Gross written premiums	7.131.032	7.284.746	5.137.011	4.208.340	-	-	-	-	-	-	12.268.043	11.493.086
1.1.2 Premiums ceded to reinsurers	(351.093)	(316.756)	(28.208)	(22.777)	-	-	-	-	-	-	(379.301)	(339.533)
1.2 Commission income	-	-	23.258	43.163	-	-	52.155	48.501	(4.727)	(2.345)	70.686.89.319	
1.3 Net income from financial instruments recorded at fair value through profit or loss	81.249	209.615	818.083	(551.147)	(2.421)	(1)	3.436	(5.074)	-	-	900.347	(346.608)
1.4 Income from equity investments in subsidiaries, associates and joint ventures	9.326	2.432	309	29.802	3.616	5.694	2.439	135	(1.478)	-	14.212.38.06	2
1.5 Income from other financial instruments and investment property	360.678.59	8.531	663.927	709.598	53.969.46.2	51.80.006		128.003	(29.649)	(65.164)	1.128.931.1	417.217
1.6 Other revenues	366.438	177.556	202.187	64.515.161	210	143.286.6	22.972.302	384	(661.279)	(218.131)	691.528.4	69.610
1 TOTAL REVENUES	7.597.630	7.956.124	6.816.567	4.481.494.216	.374	195.230.7	61.008.473	.949	(697.133)	(285.640)	14.694.446.12.8	21.153
2.1 Net charges relating to claims	(5.670.887)	(5.184.320)	(6.201.138)	(3.780.727)	-	-	-	-	-	-	(11.872.025)	(8.965.047)
2.1.2 Amounts paid and changes in technical reserves	(5.929.786)	(5.324.134)	(6.225.959)	(3.802.470)	-	-	-	-	-	-	(12.155.745)	(9.126.604)
2.1.3 Portion attributable to reinsurers	258.899	139.814	24.821	21.743	-	-	-	-	-	-	283.720	161.557
2.2 Commission expenses	-	-	(20.676)	(14.693)	-	-	(17.585)	(17.918)	-	-	(38.261)	(32.611)
2.3 Charges from equity investments in subsidiaries, associates and joint ventures	(14.881)	(1.177)	(308)	-	(66.236)	(5.617)	(1.501)	(795)	-	-	(82.926)	(7.590)
2.4 Charges from other financial instruments and investment property	(277.099)	(353.276)	(141.469)	(198.124)	(60.171)	(98.712)	(50.082)	(99.470)	21.542.60.002		(507.279)	(689.579)
2.5 Operating expenses	(1.560.074)	(1.613.782)	(257.984)	(255.279)	(1.445)	(767)	(311.124)	(91.730)	210.713.2.930		(1.919.914)	(1.958.630)
2.6 Other costs	(573.102)	(489.055)	(110.111)	(291.894)	(182.119)	(157.205)	(418.422)	(299.560)	463.401.2	22.708	(820.353)	(1.015.005)
2 TOTAL OSTE	(8.096.043)	(7.641.610)	(6.731.686)	(4.540.717)	(309.971)	(262.301)	(798.714)	(509.473)	695.656.2	85.640	(15.240.758)	(12.668.462)
PROFIT (LOSS) BEFORE TAXES	(498.413)	314.514	84.881	(59.223)	(93.597)	(67.071)	(37.706)	(35.524)	(1.477)	-	(546.312)	152.691

PART E – INFORMATION ON FINANCIAL RISKS

The Solvency II convergence project

In relation to the preparation for the entry into force of the Solvency II Directive, the Fondiaria-SAI Group followed closely the work undertaken by CEIOPS on the second-level implementation measures of the Directive. The Group participated in all of the Quantitative Impact Studies, preparatory for the calibration of the new capital requirements, progressively extending the number of companies of the Group taking part. In 2006, Fondiaria-SAI and Milano Assicurazioni took part in QIS2 with a small number of Italian companies. In 2007, 11 Group companies took part in QIS3 (with a coverage level of 94% of the reserves), while the following year saw the participation of all the consolidated insurance companies in QIS4.

Through the Quantitative Impact Studies, the capital requirements were calculated both for the standard model and for the internal model. The adjustment of the insurance companies towards the Solvency II regulations was seen as a strategic opportunity to optimise the management of the business.

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

The risk management model, duties and responsibilities

The Enterprise Risk Management model and the estimate of 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 to which the Group is exposed and assessing the impact that these risks can have on solvency and achieving targets.

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

- the economic capital
- measure risk-adjusted profit
- fixed operating limits, including using Value at Risk.

The risk assessment model is based on an estimate of the economic capital (EC), i.e. using a risk capital method to estimate the capital necessary to evaluate the solvency of the Group, in line with the risk appetite target. Based on the guidelines of the Board of Directors, set out in the resolution of 10 May 2007, the risk tolerance threshold was fixed at 99.5%, compatible with the “A” target rating on the basis of Standard & Poor’s capital model. This threshold is applied both in the calculation of the economic capital within the internal model and in the stochastic measures within the structure of the operating limits, and in particular within the management guidelines of the securities portfolio. The model is continually changing and is regularly updated with the target so that it is always adequate to the risks assumed, to the changes in the regulations and to technical and methodological innovations.

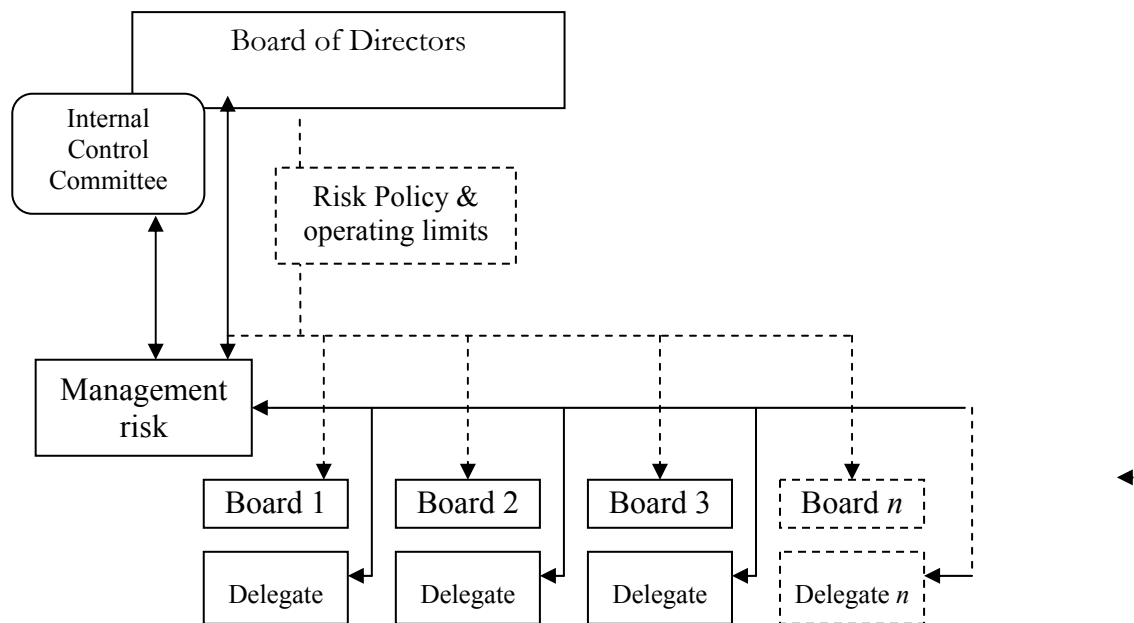
Risk governance

In February 2009, as part of the risk management system implementation plan, the Fondiaria-SAI Group risk policy was approved by the Board of Directors of Fondiaria-SAI, which established the following principal objectives:

- to outline common ERM principles and rationales for all of the Fondiaria-SAI Group
- to set out the guidelines and structure of the operating limits of the Fondiaria-SAI Group in line with the risk appetite and capital allocation strategies
- to formalise procedures aimed at taking strategic decisions based on the risk management system as per Article 44 of the Directive.

The base organisational model within the risk management system involves the following functions which outline the principal duties and responsibilities:

- | | |
|-------------------------------------|--|
| The Board of Directors | <ul style="list-style-type: none">- definition of the guidelines of the internal control system and risk management system- definition of the risk strategy and the risk tolerance level- definition of the operational limits- verifies the efficiency and effectiveness of the internal control system and risk management system |
| Internal Control Committee | <ul style="list-style-type: none">- consultations and proposals to the Board relating to the monitoring of the adequacy and the effective functioning of the internal control system and of the monitoring and management of the risks |
| Capital Management Committee | <ul style="list-style-type: none">- supports the Chief Executive Officer and the Board of Directors in defining capital allocation strategies at Fondiaria-SAI Group level and in defining investment limits- monitoring of the Solvency I excess capital, internal model, S&P model and standard Solvency II mode. |
| Senior Management | <ul style="list-style-type: none">- responsibility for risks in their particular area and execution of mitigating actions |
| Risk Management Department | <ul style="list-style-type: none">- specialised support- development and completion of economic capital models- stress testing- reporting to the Board of Directors and risk owners. |



The Risk Map

The risks considered in the Model adopted are set out in the Risk Map, shown below, which breaks down each risk by business segment. As well as the assessment of maximum potential loss, the approach adopted in the monitoring of the total exposure also considers risks which, according to a logic of cause and effect, may emerge as a consequence of other risks, although not always generating a directly measurable economic impact.

These risks, called “second-level risks” are:

- Reputational risk, i.e. risk related to deterioration in the corporate image and an increase in conflict with insured parties, including as a result of a fall in the quality of the products offered, the placing of unsuitable policies or the conduct of sales networks
- Risks related to belonging to a group, or “infection” risk, i.e. risk that arises due to the interlinked nature of the other companies of the group, whereby a difficult situation arising in one entity spreads, affecting the solvency of the entity
- the risk of conflict of interests.

Alongside these types of risks, particular attention must be paid to strategic risk, i.e. the current or future risk of a drop in profits or of capital deriving from a change in the operating situation or from bad corporate decisions, inadequate decisions or a failure to react sufficiently to changes in the competitive environment.

The Risk Map at levels I and II is the basis for risk management activity. This structure, however, is not a fixed element within the Model, in that the approach adopted, as set out above, must consider not only all current risks, but also possible future risks, with the aim of anticipating any possible impact from threats originating from the context in which the Fondiaria-SAI Group operates.

	Non-Life classes	Life classes	Property	Other
Financial risks				
Market risks	√	√	√	√
Credit risk	√	√	√	√
Liquidity risk	√	√	√	√
Life technical risks				
Longevity		√		
Mortality:		√		
Disability		√		
Expense		√		
Redemption		√		
Catastrophe		√		
Non-Life technical risks				
Reserve	√			
Premium	√			
Catastrophe	√			
Operational risks and other risks				
Operational risks	√	√	√	√
Regulatory non-compliance risks	√	√	√	√
Reputational risk	√	√	√	√
Risk of belonging to the Group or risk of contagion	√	√	√	√
Strategic risk	√	√	√	√

Information on financial risks

Objectives and criteria of financial risk management

The financial risk management objectives and policies, as well as Group mitigation policies, were issued by resolution of the Board of Directors of Fondiaria-SAI with guidelines for the allocation of the financial instruments portfolio, including derivatives.

The policy adopted aims to guarantee:

- adequate diversification, avoiding excessive concentration
- a readily liquid portion of investments
- care in making assets consistent with the liabilities structure, using ALM policies
- prudent management, limiting exposure in financial instrument securities with low credit ratings
- use of derivative instruments principally for hedging purposes, limiting exposure to instruments of efficient management within the framework resolution provided for by ISVAP Instruction 297.

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

The structure of the limits includes all of the principal types of asset classes which make up the investments. In particular the limits were defined in terms of:

- maximum percentage per asset class on total investments
- limits of concentration by issuer/counterparty
- limits in terms of rating
- limits in terms of VaR
- limits in terms of duration gap (broken down between Non-life and Life)
- limits in terms of minimum hedging on strategic investments
- limits in terms of liquidity, intended as maximum percentage of “illiquid” instruments.

The structure of the assets in the Life classes is in line with the structure of the liabilities, which these securities are intended to hedge. For the Non-Life classes, the assets are principally selected in view of foreseeable changes in the settlement of claims.

Market risk

Market risk comprises unexpected losses from changes in interest rates, share prices, exchange rates and property prices which could have a negative effect on the Group’s income and financial position.

The Group monitoring system provides for assessment of the economic impact of these variables through measures such as VaR, which permit:

- uniform risk measures, which allow for comparison of different instruments, to be obtained
- position limits to be determined
- “risk-adjusted” measures to be created

Specifically, the measures adopted are:

- short-term VaR, i.e. the VaR calculated on a time period of ten working days
- Risk capital, i.e. the VaR calculated in a time period of one year.

The analysis of VaR and risk capital of the equity and bond portfolio at 31 December 2009, calculated at a confidence level of 99.5%, is shown below.

The reduction in the risk of the portfolio compared with 31 December 2008 is due both to the decrease in the equity component (in line with the contraction of the record market historical volatility seen during 2009) and the decrease in risk of the bond component (principally due to the reduction in the duration of the portfolio).

Interest rate risk

In relation to the interest rate risk, i.e. “the risk of unexpected loss deriving from an adverse movement in interest rates”, the exposure of the Group principally regards debt securities, particularly of long maturity. In order to limit this risk, the Group uses a mixture of fixed income securities and variable rates. ALM aims to maintain an equilibrium in duration between assets and liabilities.

Through the use of stochastic models, in addition to the VaR estimate, stress tests are also undertaken using extreme interest rate situations. The table below shows a sensitivity analysis of the value of the bond portfolio assuming an increase and a decrease in interest rates of 50 bps. This sensitivity is not calculated within an ALM scenario, but only relates to financial assets, and therefore does not include the related effect on the insurance and financial liabilities of the Life segment.

Sensitivity analysis of the value of the bond component

<i>(value in € millions)</i>	+ 50 bp		- 50 bp	
	31.12.09	31.12.08	31.12.09	31.12.08
Total	(368)	(470)	391	507
of which Non-Life	(50)	(58)	52	60
of which Life	(318)	(412)	339	447

The Held To Maturity and Loans Receivable categories are not included.

The table below shows the analysis of the duration, VaR and risk capital of the bond portfolio at 31 December 2009 divided by type of issuer and maturity.

Analysis of the bond component by VaR expiry band and risk capital

Type	Breakdown % (as-is value)	Macaulay duration	VaR Rate %	Risk Capital rate %
Government uro E	74.09	4.86	1.08	3.77
<i>Variable rate</i>	<i>17.46</i>	<i>0.82</i>	<i>0.33</i>	<i>1.32</i>
<i>Fixed rate</i>	<i>56.63</i>	<i>6.07</i>	<i>1.31</i>	<i>4.52</i>
0,0<≤1,5	13.53	0.68	0.35	0.31
1,5<≤3,0	6.60	1.99	0.97	2.36
3,0<≤5,5	8.71	3.97	1.46	5.08
5,5<≤7	6.25	5.31	1.62	6.02
>7	21.54	11.39	1.86	7.17
Corporate Euro	24.61	4.03	1.45	5.09
<i>Variable rate</i>	<i>2.27</i>	<i>0.16</i>	<i>0.05</i>	<i>1.05</i>
<i>Fixed rate</i>	<i>22.34</i>	<i>4.39</i>	<i>1.60</i>	<i>5.50</i>
0,0<≤1,5	1.75	1.04	0.57	0.49
1,5<≤3,0	1.91	2.28	1.11	3.02
3,0<≤5,5	11.73	3.78	1.63	5.59
5,5<≤7	2.03	5.41	1.90	7.04
>7	4.92	7.17	1.95	7.38
Euro bond funds	0.94	2.35	0.95	2.36
Fixed rate	0.94	2.35	0.95	2.36
0,0<≤1,5	0.53	0.89	0.50	0.01
3,0<≤5,5	0.41	4.23	1.52	5.39
Government Non Euro	0.22	3.28	0.46	0.91
<i>Variable rate</i>	-	<i>0.17</i>	<i>0.05</i>	<i>0.82</i>
<i>Fixed rate</i>	<i>0.22</i>	<i>3.33</i>	<i>0.47</i>	<i>0.91</i>
0,0<≤1,5	0.10	0.92	0.20	0.14
1,5<≤3,0	0.04	1.70	0.69	1.10
3,0<≤5,5	0.03	4.30	0.54	1.18
5,5 <≤7	0.02	5.55	0.69	1.78
>7	0.03	10.70	0.80	2.17
Corporate Non Euro	0.14	1.83	0.41	0.83
<i>Variable rate</i>	<i>0.02</i>	<i>0.07</i>	<i>0.00</i>	<i>0.36</i>
<i>Fixed rate</i>	<i>0.12</i>	<i>2.07</i>	<i>0.46</i>	<i>0.89</i>
0,0<≤1,5	0.04	0.66	0.19	0.14
1,5<≤3,0	0.05	1.91	0.38	0.62
3,0<≤5,5	0.03	3.25	0.87	2.10
5,5<≤7	-	6.17	0.29	0.47
Total bonds	99.06	4.63	1.17	4.09
Total	100.00	4.61	1.17	4.07

Shareholder risk, exchange risk and property risk

The equity risk, i.e. the “risk of unexpected losses deriving from adverse changes in share prices” and the foreign exchange risk, i.e. the “risk of unexpected losses deriving from adverse changes in exchange rates”, are valued as stochastic models calibrated on the market. With particular regard to this, the Group does not have significant exposure to exchange risk. In fact, the majority of its investments in financial instruments are denominated and/or repaid in Euro, which is both the functional currency and the presentation currency. Relating to financial instruments denominated in currencies other than the Euro, the Group invests prevalently in US Dollars, Swiss Francs and UK Sterling. In relation to this, there is a substantial equilibrium between assets denominated in foreign currencies and related liabilities, in turn denominated in the same currency, in that a large part of these investments are covered by commitments to

Life policyholders (in particular related to separated management in foreign currencies). Currency exposure is monitored at least monthly, to record in a timely manner the presence of critical areas and situations that would require corrective intervention, including the agreement of hedging contracts.

Assets are valued using the volatility of the underliers or of the benchmarks associated with them. The volatility recorded on the basis of the above-mentioned criteria is use as input for the calculation of the VaR and risk capital.

Sensitivity analysis of the listed equity portfolio

(value in € millions)

	31.12.09	31.12.08
Total	(159)	(145)
of which Non-Life	(76)	(72)
of which Life	(83)	(73)

VaR analysis relating to the equity portfolio and exchange rates

Type	Currency	Breakdown % (listed value)	VaR rate/ price %	VaR exchange	VaR Total %
Shares	Danish crown	0.01	24.00	0.10	24.10
	Norwegian crown	0.00	31.60	5.59	37.19
	Swedish crown	0.01	17.34	6.22	23.56
	US dollar	0.05	17.03	6.38	23.42
	Euro	7.69	12.89	0.00	12.89
	Swiss franc	0.18	11.63	2.95	14.57
	UK sterling	0.26	10.70	6.15	16.85
	Japanese yen	0.00	18.29	7.99	26.27
	Total listed shares		8.20	12.84	0.31
Derivatives on shares	Euro	-0.02	604.30	0.00	604.30
	Total derivatives	-0.02	604.30	0.00	604.30
	Net equity exposure	8.18	11.55	0.31	11.86
Bond funds	Euro	1.50	0.60	0.00	0.60
Bonds	US dollar	0.16	0.66	6.44	7.10
	Euro	80.79	1.19	0.00	1.19
	Swiss franc	0.13	0.16	2.98	3.15
	UK sterling	0.01	0.96	6.17	7.13
	Japanese yen	0.00	0.40	8.01	8.40
Time deposit	Euro	0.65	0.00	0.00	0.00
	Total "time deposit" funds	83.23	1.16	0.02	1.18
Shares	US dollar	0.01	11.13	6.38	17.51
	Euro	3.45	7.95	0.00	7.95
	Total unlisted shares	3.46	7.96	0.02	7.98
	Total	94.88	2.31	0.04	2.35
	Other assets	5.12	2.28	0.01	2.29
	US dollar	0.01	2.28	6.38	8.67
	Euro	5.12	2.28	0.00	2.28
	Grand total	100.00	2.31	0.04	2.35

Risk capital analysis relating to the equity and exchange portfolio

Type	Currency	Breakdown			Risk Capital Total %
		(Listed value)	% Risk Capital Price rate	Risk Capital % Exchange %	
Shares	Danish crown	0.01	77.99	0.52	78.51
	Norwegian crown	0.00	88.59	25.61	114.20
	Swedish crown	0.01	63.18	28.26	91.43
	US Dollar	0.05	54.58	28.92	83.49
	Euro	7.69	45.30	0.00	45.30
	Swiss Franc	0.18	41.65	14.05	55.71
	UK sterling	0.26	37.13	27.97	65.10
	Japanese Yen	0.00	66.26	35.36	101.62
	Total listed shares		8.20	45.11	1.42
Equity derivatives	Euro	-0.02	2,114.09	0.00	2,114.09
Total derivatives		-0.02	2114.09	0.00	2114.09
Net equity exposure		8.18	40.60	1.43	42.03
Bond funds	Euro	1.50	1.77	0.00	1.77
Bonds	US Dollar	0.16	1.43	29.17	30.60
	Euro	80.79	4.15	0.00	4.15
	Swiss Franc	0.13	0.20	14.24	14.44
	UK sterling	0.01	1.85	28.05	29.90
	Japanese Yen	0.00	1.60	35.44	37.04
Time deposit	Euro	0.65	0.00	0.00	0.00
Total "time deposit" funds		83.23	4.07	0.08	4.15
Shares	US Dollar	0.01	46.00	28.92	74.92
	Euro	3.45	31.03	0.00	31.03
Total unlisted shares		3.46	31.07	0.08	31.15
Total		94.88	8.20	0.20	8.40
Other assets	Other assets	5.12	8.51	0.04	8.55
	US Dollar	0.01	8.50	28.92	37.42
	Euro	5.12	8.51	0.00	8.51
Grand total		100.00	8.22	0.19	8.41

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

The column "Price Risk Capital %" and "Risk Capital Foreign Exchange %" shows the percentage on the market values.

The analysis does not include the companies DDOR, Lawrence Life, the Tikal R.E Fund, BancaSai, Banca Gesfid and Italiberia.

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

The "Other assets" item includes structured securities.

Property risk

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

With regard to the method described above, the risk capital at 31 December 2009 was 6.4% of the current value of the buildings in the financial statements (approximately Euro 4,587 million).

Credit risk

The analysis of credit risk is broken down as follows:

- Counterparty default risk, i.e. the risk of possible losses due to unexpected non-compliance of counterparties and 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, i.e. 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 uses two models to determine the spread risk.

The first model evaluates only 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. The latter is considered more suitable for overall determination of economic capital. On the basis of these models, the Group's exposure to credit risk is periodically monitored.

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

In the Group companies operating in the banking segment, credit risk is analysed through constant monitoring of loan quality. For receivables from other banks constant valuation is made with reference to the ratings and the limits imposed by the Board of Directors. Receivables from customers principally involve secured guarantees and the allocation of capital is calculated using regulatory coefficients. The internal control system reports distribution and migration between the various classes and shows anomalies.

During 2009, exposure at a consolidated level to Greek sovereign bonds decreased by approximately 2 percentage points, to around 4.4% from around 6.7%

The choice of this country, strategic from the viewpoint of risk/return within the Eurozone, permitted a good pickup in yield compared with the relative competitors in the “core” countries (such as Germany and France).

Greek securities, along with the Italian securities, were for a large part of 2009 the best performers in terms of “total return”, especially from March, when the first signs of stabilisation in the global economy were seen. During the second half of 2009, when the first risks emerged relating to the quality of Greek public debt, it was considered appropriate to partially reduce the exposure and at the same time increase exposure to German government securities, which increased during the year from less than 1% to over 3%.

A position was in any case held on the Greek securities, in that, while aware of the problems present in the country, we are convinced that Greece, due to support from the European Union, will be safeguarded from any default scenarios.

Liquidity risk

Liquidity risk is the risk of non-fulfilment of obligations towards policyholders and other creditors due to difficulties in transforming the investments into liquidity without incurring losses.

The Group adopted an organisational system based on the centralisation of cash flows through the Group Treasury. This system guarantees not only rational monitoring of all inflows and outflows (assisted by daily cash pooling), but also the optimisation of returns on the liquidity realised through centralised management of excess liquidity in respect of scheduled commitments. In this sense, the activity undertaken by the Group Treasury is aimed at maintaining high short-term and long-term financial soundness, while at the same time maintaining a balance between a money supply capable of covering any unforeseen obligations with policyholders and suppliers and the opportunity to apply excess liquidity to more remunerative investment operations.

To achieve this objective, liquidity risk is monitored on a monthly basis through a liquidity budget, as well as further controls through the programmed management of cash flows on a daily basis, coordinating the most significant cash outgoings with returns from agencies and making available daily the excess funds in respect of cash requirements. In addition, the budget plan provides for other key cash flows, such as wages, interest rates and commitments.

Excess liquidity in respect of investment commitments is used by the Treasury in restricted 24 hour deposit accounts (time deposits), which can be released with 48 hours' notice and which are managed by counterparty banks identified according to the following criteria:

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

As a further safeguard, in the case of specific emergencies for funds and urgent necessity, the Treasury holds at the Group Bank funds available to carry out these transactions.

Financial liabilities

<i>(in Euro millions)</i>	31.12.09	31.12.08
up to 1 year	1,307	1,023
from 1 to 5 years	543	1,048
from 6 to 10 years	485	38
over 10 years	695	1,062
Total 3,	030	3,171

The principal financial liabilities comprise subordinated liabilities, which account for approximately 40% of the total financial liabilities of the Group and which all fall due beyond ten years.

Positions payable within one year consist mainly of deposits opened by BancaSai and

Banca Gesfid with its clients for Euro 579 million, deposits received from reinsurers of Euro 266 million and deposits with banks of Euro 212 million.

Information on insurance risks

Insurance liabilities of the Life segment and deposit accounting

In relation to the insurance liabilities of the Life segment, the Group considers the impact on the expected profitability of all the incoming and outgoing funds, with a particular focus on those relating to redemptions. The assumptions used to create product tariffs and value amounts and risks are periodically updated with effective observations on the expected outflows.

The table below shows the amounts of the reserves of the direct business of the Life segment divided by contractual maturities. For contracts without maturity (annuities and full life contracts), an expected date was considered for the outgoing in line with the assumptions used to measure embedded value.

<i>(in Euro millions)</i>	31.12.09	31.12.08
up to 1 year	1,483	2,007
from 1 to 5 years	12,667	9,878
from 6 to 10 years	4,401	5,585
over 10 years	3,272	4,271
Total 2	1,823	21,741

The total, which refers to gross direct business, includes mathematical reserves of Euro 13,499 million (Euro 13,846 million at 31 December 2008), technical reserves where investment risk is borne by policyholders and arising from pension fund management of Euro 6,245 million (Euro 4,245 million at 31 December 2008), liabilities from financial contracts issued by insurance companies for which the investment risk is borne by policyholders of Euro 1,831 million (Euro 3,227 million at 31 December 2008) and from pension fund management of Euro 227 million (Euro 174 million at 31 December 2008) and none as deposit accounting at amortised cost (Euro 16 million at 31 December 2008).

It also includes the reserve for sums payable of Euro 155 million at 31 December 2009 (Euro 233 million at 31 December 2008), which due to its nature basically has a residual expiry of up to one year.

Insurance liabilities of the Non-Life segment

In relation to the Non-Life segment, the table below shows the amounts of the claims reserves and the gross direct premium reserve by maturity. The total reserves are shown by duration in proportion to the expected cash flows for each interval shown.

<i>(in Euro millions)</i>	31.12.09	31.12.08
up to 1 year	5,920	6,031
from 1 to 5 years	4,170	3,717
from 6 to 10 years	955	848
over 10 years	420	461
Total 11,	465	11,057

The total includes premium reserves of Euro 2,687 million (Euro 2,636 million at 31 December 2008), claims reserves of Euro 8,767 million (Euro 8,408 million at 31 December 2008) and other technical reserves represented by the Health class ageing reserve of Euro 12 million (Euro 14 million at 31 December 2008).

Amounts, timing and level of uncertainty in cash flows relating to insurance contracts

This section reports, in accordance with paragraphs 38 and 39 of IFRS 4, separately for the Non-Life and Life segments, information regarding the objectives in the management of the risks related to the insurance contracts and the policies adopted to contain them, the contractual clauses and the general conditions therein which have a significant effect on the amount, the timing and level of uncertainty of future cash flows.

NON-LIFE CLASSES

The objective of the Group, in line with the strategic plan, is the development of the portfolio in all the Non-Life classes in a balanced and technically profitable manner.

In particular, the risk elements in the management of the Non-Life segment relate to underwriting risk (insufficient premiums to cover claims and expenses) and to reserve risk (insufficient reserves to meet commitments assumed in respect of policyholders).

The underwriting risk is divided into mass risks, corporate risks and special risks. Mass risks, such as those relating to Motor TPL and Land Vehicles, as well as those relating to personal risks (Accident and Health), households (Residential and Civil Liability) and small enterprises (trades, commerce, etc.), are covered with predefined standard conditions which are determined by the central technical offices on the basis of existing regulations, by insurance market experience and by the specific experience of the Group.

In general, for mass risks and in any case all risks where predefined regulatory and standard tariff conditions exist, underwriting takes place with the various agency networks using adequate IT procedures. Within standard parameters, the commercial networks must use a flexible tariff system monitored centrally. In the event that the needs of a specific customer require a change in the standard conditions, the concession of the exception is valued and authorised by the Technical Structure of the Company.

For corporate risks and special risks, which due to their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured.

Underwriting Risk

Mass risks

In the Motor TPL class, in which the Group is leader, and which represents the largest part of the portfolio, the substantial mass of statistical data held permits a sophisticated “personalised” tariff elaboration which takes into account a large number of risk factors, both subjective and objective. The base data available is in fact statistically significant and allows the use of multilevel analysis which, through “General Linear Models” permits the evaluation of the relationship between risk factors, highlighting all those features not directly identifiable with analysis only by single factor.

The tariffs are monitored monthly and periodically reviewed. The portfolio is also subject to continual examination in order to identify any abnormal situations, both at a geographical level and for the remaining risk factors, in order to also permit timely corrective interventions against any changes in technical trends that could result from the introduction of the direct indemnity system.

Similar attention is given to the best customers whose loyalty is built through incentive initiatives not only at existing contract levels, but also with initiatives focused on the acquisition of new niche markets.

In the Land Vehicle segment, which is traditionally a very important business area, the tariffs are established, in the case of the Fire and Theft guarantees, based on geographical location and the type of vehicle insured, in addition to the extent of the guarantee provided. The TPL guarantee, however, is a tariff based on the Bonus Malus class, the age of the owner and the age of the vehicle insured. The customer can also choose between different insurance levels which allows for a significant difference in the price of the various guarantees.

Also in the Non-Motor segment, in mass risks the principal underwriting and tariffs are strictly related to the statistical experience of the portfolio of the Group which is sufficiently large and stable to permit the fixing of guarantees and prices suitable to the various risk types. In particular, in the Health class the underwriting of risks is accompanied by and subordinated to the evaluation of a medical history questionnaire which enables tariffs to be based on the conditions of the policyholder.

Generally speaking, for mass risks, and in any event all risks where regulatory conditions and standard tariffs exist, underwriting takes place with adequate IT procedures and by the various agency networks that are equipped for this.

Within the standard parameters, the commercial networks may use tariff flexibility which is monitored centrally. In cases in which the needs of a specific customer require a change in the standard conditions, any granting of an exception is evaluated and authorised by the Group's Technical Structures.

Corporate risks and special risks

In relation to the corporate risks and special risks, which due to their characteristics and size may not be covered by standard conditions or regulations or tariffs, the underwriting procedures are more structured.

The agency networks have an independent underwriting limit by value and type of risk; above these values and types, the underwriting of risks is assisted by a network of appropriately trained technicians that value the risks and set the conditions on a case-by-case basis.

Bonds

With particular reference to the Bond class, risk analysis is carried out in advance and careful selection undertaken with a double examination:

- under the objective profile, the examination of the nature and the specific characteristics of the original report, which determine the request for the bond, first aims to assign the transactions under review to categories of risks within the class based on the regulations and provisions; secondly, particular attention is given to verifying the features of the bond contract, which must always respect the principle of access with regard to the principle obligation
- under the subjective profile, the examination relates to valuation of the equity values as well as all the elements relating to the mortality, professional capacity and solvency of the counterparty.

Both the objective and subjective aspects are carefully evaluated by the acquisition of specific financial documentation (financial statements, incorporation deeds, by-laws, Chamber of Commerce certificates, shareholder forms, etc.) sent by the agencies to technicians in the region or head office. This documentation is updated with appropriate commercial information through specialised companies and with further investigations relating to the history of the relationship with the customer, made in the class databank, in order to verify the accumulative exposure to the parties.

The above activity aims to quantify a total “underwriting limit” with the party, requested, within precise and contained limits, from the technicians. Beyond these limits, cases are presented to the internal boards of the classes, represented by the “Trust Committee”.

The issuance of the bond policies is then made by the agencies, through an IT procedure which undertakes a preventive control of the cumulative exposure, up to reaching the limits of the underwriting agreed.

All bond policies issued by the division are appropriately protected by placement of 50% in a proportional reinsurance agreement, with capacity of Euro 70 million, to be used without distinction by individual companies (Fondiarria-SAI or Milano) or at Group level (in this case, for Liguria Assicurazioni a utilisation sublimit is provided of Euro 10 million). In addition, further hedging exists through an excess claims

agreement to protect the net retained amount, on the individual risk or event, with retention of Euro 2.5 million up to Euro 25 million

Otherwise, in order to guarantee an adequate fractioning of the risks, which contain the exposure points, the Group currently uses the coinsurance instrument, as part of a reciprocal system only with insurance companies that use similar underwriting policies based on the principles of caution and careful risk selection.

Hedging catastrophic exposure

The processes used by the Group to optimise the control of exposure to catastrophic risks are reported below.

Particular attention is given to the risk concentrations in some classes, using appropriate calculation methods according to their specific characteristics.

The Fire class, due to the greater volumes involved, requires particular and differentiated attention, especially in relation to earthquake and flood risks; for this reason concentration valuations are made on a geographic, seismic and also a hydrogeological basis.

Exposure concentrations by seismic area are updated during the year and subsequently modelled once a year using principally the two products universally adopted by the international market (RMS RiskLink DLM and EQECAT WorldCAT), but also a third tool (AIR II).

The relative results are subsequently analysed with the assistance of international operators, in order to achieve adequate reinsurance protection based on the two models used.

Specifically, a return time by catastrophic claim was adopted of approximately 250 years.

The Land Vehicle class is very similar to the Fire class, and for this reason has the same reinsurance cover per event.

The Technological Risk class, thanks to the specific proportional programmes adopted, does not give rise to particular concerns, in that the risks are protected based on the year of subscription.

The potential risk concentration following the bankruptcy of a single policyholder in the Bond class is protected by a claims excess programme, which guarantees all the acceptances made in past years of subscription.

Finally, note that the Group underwriting in the Accident class is protected with an ample catastrophe programme which operates together with the net retentions deriving from policies underwritten by the Life segment.

It is evident that the Motor classes in the Group do not provide future financial cash flows. This relates to a stable portfolio not subject to significant fluctuations sufficient to affect future projections.

The Motor products were recently redefined in order to improve customer service and represent the market offering more closely.

The Motor TPL segment, due its inherent characteristics, does not have particular concentrations of risk; there may be single events of particular gravity, but the size of

the portfolio, which is also geographically distributed uniformly throughout the country, can absorb such events without significant repercussions on the results.

In any event, for events of extreme and unforeseen gravity the Group is protected by adequate reinsurance cover with primary reinsurers.

In relation to the Land Vehicle portfolio, risk concentrations are assumed particularly in the case of extreme weather events or natural disasters (floods, earthquakes, storms or hailstorms); these concentrations are calculated on a geographical basis and are subject to common reinsurance protection with the Fire class.

In the Non-Motor Non-Life classes, the Group operates in all segments with the sole exception of the Credit class which is underwritten on an irregular basis.

For some classes, such as Legal Assistance and Protection, underwriting at the Group level is centralised in specialised single-class insurance companies, such as Pronto Assistance and Europa Tutela Giudiziaria; for the other classes, such as Transportation of Persons and Goods, SIAT, equipped with specific and recognised expertise, plays a role as aggregation unit for the whole Group.

The risks of the other Non-Motor Non-Life classes are underwritten by all the insurance companies of the Group, principally through exclusive agency networks, but also through brokers and in some cases through multi-mandate agency networks and bancassurance agreements.

Concentration risk and use of co-insurers

The Group uses co-insurance, i.e. the division of risks into quotas established with other insurance companies, both for commercial reasons at local level and to limit insurance exposure in the case of large risks.

Also during 2009, the maintenance of the Group policies, already realised in previous years, confirmed the portfolio breakdown, with a prevalence of risks assumed in Exclusive Delegation. No significant or substantial changes were made with respect to the underwriting strategies of the previous years.

With regard to the Bond class, in 2009 the policy relating to the underwriting of risks of Other Delegations is characterised by a greater selection of insurance companies offering coinsurance proposals, favouring those Companies that maintain underwriting policies similar to those of our Group.

With regard to Other Delegations, in 2009 the weight of taxable premiums collected was 9.2%, an increase on 2008 (8.9%). The weight of the total cost of generation claims was 9.4%, an increase on the previous year.

Reserve risk

The second component of the insured risk of the Non-Life segment, the reserve risk, relates to the uncertainty connected to the use of the claims reserve. This is the risk that the claims reserves may not be sufficient to meet commitments with policyholders or damaged parties.

The reserve risk, being related to the estimate of the reserves, can be monitored from the basic information traceable from the claims “triangulars”.

In accordance with the requirements of paragraph 39 of IFRS 4, information is provided below relating to changes in Civil Liability claims.

The tables below are compiled from official data from forms provided to the Supervisory Authority by the Fondiaria-SAI Group (see forms 29, appendix 1/29, and forms 29A).

Each piece of data on the “triangle” represents a snapshot of the generation cost at 31 December of the year of observation, summarily represented by the sum of the following components:

- cumulative payment in the year of occurrence at 31 December of the year of observation
- reserve on open claims, referred to 31 December of the year of observation
- estimate of late claims of the year of occurrence at 31 December of the year of observation.

The “Estimated final cost”, the “Payments made” and the “Reserve amount” refer to the most recent year of observation, i.e. largest diagonal of the triangle.

It is considered appropriate to show changes in claims only for the Civil Liability classes (Motor and General Civil Liability) since they are the most representative classes of the Group: over 75% of the claims paid belonged to these two classes.

The General TPL class in particular is characterised by a slow reversal and a high number of late claims, in particular due to the objective difficulty in determining the generation cost, especially in the first years of observation. This situation, common to all classes, is particularly marked for the General TPL class.

CLASSES 10 + 12 (Motor TPL)										
<i>(in Euro millions)</i>										
	2001	2002	2003	2004	2005	2006*	2007	2008	2009	Total
Estimated costs										
At the end of the year	2,739.5	2,959.9	3,214.3	3,246.0	3,346.0	3,300.0	3,138.2	3,008.9	3,229.5	
After one year	2,752.4	2,911.1	3,081.4	3,167.2	3,177.0	3,299.7	3,011.2	3,026.4		
After two years	2,801.3	2,976.0	3,106.4	3,118.5	3,164.5	3,358.4	3,111.7			
After three years	2,812.9	2,997.9	3,141.2	3,051.8	3,238.2	3,336.4				
After four years	2,834.2	3,055.3	3,182.5	3,096.7	3,256.9					
After five years	2,875.3	3,056.0	3,210.7	3,119.0						
After six years	2,909.3	3,103.5	3,271.2							
After seven years	2,925.1	3,147.2								
After eight years	2,959.3									
Est. final costs	2,959.3	3,147.2	3,271.2	3,119.0	3,256.9	3,336.4	3,111.7	3,026.4	3,229.5	28,458
Payments	2,822.9	2,960.4	3,034.6	2,873.8	2,923.5	2,887.0	2,608.6	2,216.7	1,257.7	23,585
Amount to reserve	136.4	186.8	236.6	245.2	333.4	449.4	503.1	809.7	1,971.8	4,872

CLASS (General TPL)										
<i>(in Euro millions)</i>										
	2001	2002	2003	2004	2005	2006*	2007	2008	2008	Total
Estimated costs										
At the end of the year	267.2	300.0	312.3	324.6	343.5	382.0	373.0	372.5	466.0	
After one year	276.1	280.6	340.3	324.7	350.6	337.9	354.8	374.2		
After two years	280.2	286.0	311.8	338.1	352.1	379.2	362.1			
After three years	283.4	292.7	321.1	345.5	355.9	372.4				
After four years	294.6	299.3	326.0	352.8	349.5					
After five years	298.9	303.4	333.0	348.2						
After six years	300.3	306.9	327.8							
After seven years	302.5	304.0								
After eight years	307.1									
Est. final costs	307.1	304.0	327.8	348.2	349.5	372.4	362.1	374.2	466.0	3,211
Payments	226.5	218.2	223.6	222.2	208.8	210.4	177.9	138.7	63.7	1,690
Amount to reserve	80.6	85.8	104.2	126.0	140.7	162.0	184.2	235.5	402.3	1,521

NOTES: Differing from previous years, the triangle includes Liguria since 2001.

• each amount of the triangle is comprised of:
cumulative payment in the year of occurrence (from the year of commencement to the year of observation)
reserve relating to the year of occurrence on claims reported (in the year of observation)
reserve relating to the year of occurrence on late claims (in the year of observation)

• the "estimated final cost" is the cost of the last year of observation
• "payments" is the cumulative payments in the year of occurrence in the last year of observation
• "amount to reserve" is the reserve relating to the year of occurrence in the last year of observation

The table below shows the claims situation for the companies of the Fondiaria-SAI Group and Milano Assicurazioni Group still open at the end of 2009, compared with the number of claims reported in the various years.

Generation	Claims	Number of claims open	% of reported claims
1999	981,312	730	0.07
2000	1,017,239	1,136	0.11
2001	996,787	1,863	0.19
2002	987,098	2,947	0.30
2003	959,946	4,247	0.44
2004	929,973	5,112	0.55
2005	929,388	7,546	0.81
2006	912,798	13,262	1.45
2007	882,694	18,247	2.07
2008	828,451	45,534	5.50
2009	865,000	220,193	24.44

Excluding the CID Mandate claims reported since 1 February 2007 with the introduction of the direct compensation which are considered the claims caused (NO CARD + CARD DEBTOR).

CARD management from 1 February 2007

Generation	Claims	No. open claims	% on reported claims
2007	428,094	4,640	1.08
2008	537,499	18,013	3.35
2009	655,673	138,067	20.74

Verification of consistency of liabilities

The reserve for unexpired risks is created, in accordance with Article 16 of ISVAP Regulation 16/08, to cover the risks incumbent on the company after year-end, in order to meet all claims costs that might arise on the contracts that gave rise to the formation of the unearned premium reserve.

The calculation method adopted for this reserve uses the empirical method suggested by the above-mentioned Regulation. This latter reserve is in line with the adequacy test of the technical reserves of the Non-Life classes required by IFRS 4 (LAT).

The current method of determining claims reserves in accordance with the ultimate cost criteria is also regarded as methodologically appropriate to represent future cash flows in the existing contract portfolio.

LIFE CLASSES

The objective of the Group, in line with the strategic plan, is the development of the portfolio in all the Life classes in a balanced and technically profitable manner, through a competitive product range and by strengthening the bancassurance channel in order to create value.

In particular, the principal elements of risk subject to management in the Life segment relate to financial risks (market, credit and liquidity risks) and to technical risks (longevity, mortality, disability, expenses, surrender and catastrophic risks), for which see the respective sections in the section “Information on risks and uncertainties”.

With regard to the traditional products, there are two segments which manage different types of insurance coverage:

- individual policies, mainly managing temporary coverage for death stipulated both in “stand-alone” form, through annual premium and single premium products with constant or decreasing capital, and in accessory form to other types of policies
- corporate policies, which typically manage risks relating to the coverage conventionally called “assistance” and therefore referring particularly to the event of death and invalidity and to the risk of non self-sufficiency (LTC).

In addition to traditional type contracts that include savings and pension financial products (annuity and deferred capital) in the portfolio, there are also unit- and index-linked pure investment contracts related to internal funds and to fund baskets and equity or stock exchange indices.

Individual policies

In the Individual policies segment, the typical risks insured by the Group are those relating to temporary coverage for death stipulated in “stand-alone” form, through annual premium and single premium products with constant or decreasing capital, and in accessory form to other types of policies.

For the tariffs of these products, the Group utilises specific tariff forms determined through official ISTAT statistics on the mortality of the Italian population, adapted on the basis of the mortality history of the portfolio of its own policyholders. The current products distributed provide for a personalisation of the cost to the insured party based on whether the policyholder declares him or herself to be a smoker or non-smoker. The amount insured is underwritten on the basis of fixed and standard rules, the “underwriting grid”. This grid is structured on the basis of a different step-up of capital insured for which there are different types of health events, in accordance with the “International Guidelines” in the medical field.

Extra premiums are also applied in cases where the professional and sporting activities undertaken by the insured and/or their health conditions are considered to increase risk.

In addition to a certain level of capital insured, the Group also obtains information of a financial nature in order to evaluate the economic situation of the Customer.

In any case, above a certain threshold of capital insured, a health enquiry is made on the basis of standard medical documentation.

Also note that for amounts above a certain threshold, the underwriting of the risk is subject to explicit acceptance by a reinsurer.

In addition, following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums preliminarily agreed with the reinsurer.

The technical performance on the portfolio confirms the personalisation historically applied to the statistical base adopted in respect of the general ISTAT base. The longevity risk is currently marginal – typically related to the portfolio relative to annuities granted – due to the non-significant presence of this type of contract in the portfolio of the Company.

Corporate Policies

In the Corporate policies segment, the typical risks insured by the insurer relate to the coverage conventionally called “assistance” and therefore with particular reference to the event of death and invalidity and to the risk of non self-sufficiency (LTC).

Given the tariff structures used by the insurance companies of the Group for this type of contract, verification that the insurance cover is due to an objective situation – an obligation of law and company regulations – which involves an entire group in a uniform manner, is requested. Therefore, all requests for insurance cover based on the needs of single individuals are excluded methodologically in order to exclude the origin of all forms of anti-selection of the risk.

This fundamental underwriting rule is supplemented by a further limitation, i.e. that determination of the capital or insured amount must also be based on an external rule, again in order not to allow a single individual any free determination.

The amount insured is underwritten based on standard variable rules (insurance grid) based on the type of counterparty/policyholder and the number of individuals in the group; in any case, above a certain threshold of capital/amount insured, a health evaluation is always made based on standard medical documentation.

For amounts above a certain threshold, also in this case, the underwriting of the risk is subject to explicit acceptance by a reinsurer.

Finally, note that following the medical evaluation, the underwriting of the risk may result in the application of specific extra health premiums, sometimes agreed in advance with the reinsurer.

Particular attention is reserved for the underwriting of cumulative risks, normally regulated through the application of a limitation clause on the amount payable by the insurer on death following a catastrophic event.

The use by the insurance company of specific tariff forms – determined not only on the general mortality/invalidity experience of the Italian population, but specifically calibrated on the claims trend of the portfolio of the company – means the recurring monitoring of the trend both within the whole portfolio acquired and among individual policies considered sensitive in terms of both overall and per capita exposure.

The technical trend on the portfolio confirms, generally, what has historically been applied in terms of personalisation of the statistical base adopted in respect of the general ISTAT base.

Also for this family of risks, the longevity risk is marginal and typically related to annuity portfolios, due to the almost total absence of this type of contract in the portfolio.

This risk is present in the portfolio of the company, in key projections against deferred annuity contracts on pension funds or on single companies which have activated internally a specific supplementary pension for employees.

In this area, the Group has implemented for some time a distribution policy concentrated on the creation of tariff forms which utilise the most updated statistics bases and a careful evaluation of guaranteed financial returns, subject to constant monitoring on the markets. The overall development of the portfolio shows a high level of stability in policies covering the death/invalidity risk and those for corporate provisions required by law (severance indemnity) and supplementary pensions (pension funds), due to the consultancy carried out by our sales network, with an increase related to salaries.

The portfolio related to the management of the liquidity of companies is realised through specific policies for the financial securitisation of the premiums paid by the counterparty under a minimum guaranteed return contract and annual consolidation of services, and shows a strong acceleration in line with the market.

In this regard, particular attention is paid to the concentration of commitments on individual counterparties in order to avoid negative impacts on the company accounts in the event of early redemption, which generally could result in a negative economic context for the insurer.

This element is circumvented with an internal regulation which requires i) a presence of these contracts not greater than a determined percentage of the investments of the separated management whose contracts are related; and ii) the application of penalties for early redemption and appropriate notice periods for the exercise of the redemption.

Classification of risks associated with Life products

The Group portfolio can be classified in three uniform macro-groups by technical characteristics and product offering:

- risk products, which protect the individual or his/her family guaranteeing a certain level of financial coverage against unexpected events
- pure investment products, to provide a better response to requests for solutions to the treasury requirements of small and medium size enterprises, replacing alternatives proposed by the financial market
- medium- to long-term savings products, also with regard to pensions.

With regard to traditional products, the first category includes all the contracts which have an important risk component in the event of death, as for the temporary death case and for mixed insurance; the second category includes contracts with a strong financial component such as securitisation; and the third category mainly includes annuity contracts and deferred capital.

In addition to the traditional type contracts in portfolio, there are also unit- and index-linked contracts related respectively to internal funds and to fund baskets and equity or stock exchange indices.

A Life contract is classified as insurance if the insurance risk is significant, that is if an insured event can induce the insured to pay significant additional services; “additional services” are the amounts paid when events occur in excess of those to be paid if the insured event does not occur.

A contract of the Life class is considered an insurance contract if either:

- the services are above, normally and with a level of persistence, the level of 5% of the amount payable in the case in which the event does not occur
- it is an annuity right
- it contains an option of conversion into a guaranteed annuity.

A non-insurance Life contract is an investment or financial contract.

The classification was made at tariff level; consequently there are in existence certain insurance products (for example covering death), certain financial products (for example securitisation) and in addition, residually, products for which evaluations have to be made at individual contract level in order to classify them.

LAT model

To determine the LAT (Liability Adequacy Test) in order to evaluate the adequacy and sufficiency of the reserves recorded in the Italian GAAP financial statements, a model was adopted which generates prospective annual cash flows, developed in MoSes for the companies of Fondiaria-SAI, Milano Assicurazioni and Popolare Vita.

Lawrence Life does not require a LAT for contracts classified as insurance because the reserves made satisfy the minimum control requirements.

The traditional portfolio was divided into uniform groups according to the technical characteristics of the product (securitisation, risk and savings and pension contracts).

The table below shows the quantification in terms of policies.

Number of policies (*) prepared at 31 December 2009

Division	Capitalisati on	Prod. Of Risk	Savings & pension	Total
Fondiarìa-SAI S.p.A.	35,664	115,270	262,805	413,739
Milano Ass.ni S.p.A.	17,713	104,881	103,369	225,963
Popolare Vita	1,554	-	57,004	58,558
Total	54,931	220,151	423,178	698,260

() for the collective a record was considered for each person insured*

The tariffs modelled for the purposes of the LAT calculation covered almost the entire portfolio of traditional contracts under IFRS 4 at the time of evaluation, as shown by the table below.

Breakdown of the traditional portfolio by division at 31 December 2009

(in € thousands)

Division	Reserve elaborated	Total reserve	% elaborated
Fondiaria-SAI S.p.A.	6,721,104	7,265,452	92.5
Milano Ass.ni S.p.A.	3,139,162	3,417,285	91.9
Popolare Vita	2,267,601	2,325,980	97.5
Total	12,127,867	13,008,717	93.2

The results obtained in the portfolio in question, in accordance with the methods described below, were thereafter proportionally extended to the entire portfolio.

For each policy, projected flows of services and counter-services are generated annually, taking into account the demographic assumptions, mortality and second-order expenses so as to value on an annual basis the economic figures useful for the calculation of the requirement, assuming that they are settled on maturity or after deferral of the corresponding capital.

To develop premium flows, only the policies that were paid at the valuation date were considered for each specific tariff.

The development of services and premiums was achieved where applicable according to the minimum guaranteed return, and the cash flows were discounted using a risk-free market curve at the reporting date.

For contracts with specific assets, the discount rate was taken from the effective return of the assets hedging the reserves, taking into account the credit risk associated with the individual securities in the basket. The credit risk is valued based on the probability of default assigned to the rating given by Standard & Poor's.

In the estimate of the amounts paid following early withdrawal from contracts, in addition to the assumptions relating to mortality and probability of redemption, the specific penalties of each tariff are considered.

For the full life tariffs, a contract duration of 20 years was used.

In defining the assumptions of future commissions payable to the network based on the premiums collected, reference was made to the corresponding loading of the tariff, which reflects current commercial agreements in force.

The discounting of the future cash flows described above permitted the Company's commitments to be calculated on a "best estimate" basis at the time of the valuation. This amount is defined in the "LAT reserve" table below.

With regard to the assumptions, reference was made where possible to company experience and the Italian insurance market in addition to economic-financial scenarios at the valuation date.

Traditional portfolio

The application of the LAT valuation model produced the following results, which are compared with the reserves in the financial statement, taking into account the mathematical reserves, reserves for future expenses and additional reserves for interest guarantee, minus the commissions to be amortised for the groupings described above.

LAT valuation at 31.12.09

(in € thousands)

Company		Capitalis.	Prod. of risk	Savings & pension	Total
Fondiarria-SAI S.p.A.	LAT Res.	2,055,934	779,210	4,016,938	6,852,082
	Tot. per				
	Accounts	2,154,241	857,945	4,337,155	7,349,341
	Balance sheet res.	2,136,838	846,965	4,281,649	7,265,452
	Additional Res.	6,156	5,651	28,568	40,375
	Expenses Res.	11,247	6,514	32,931	50,692
	DAC	-	1,186	5,993	7,179
Milano Ass.ni S.p.A.	LAT Res.	572,981	685,498	1,917,872	3,176,351
	Tot. per				
	Accounts	601,650	759,998	2,097,334	3,458,982
	Balance sheet res.	597,651	749,971	2,069,663	3,417,285
	Additional Res.	248	8,500	23,458	32,206
	Expenses Res.	3,750	3,620	9,989	17,359
	DAC	-	2,093	5,775	7,868
Popolare Vita	LAT Res.	148,991	-	2,130,286	2,279,277
	Tot. per				
	Accounts	149,731	-	2,175,353	2,325,084
	Balance sheet res.	148,509	-	2,177,471	2,325,980
	Additional Res.	995	-	4,565	5,560
	Expenses Res.	226	-	2,427	2,653
	DAC	-	-	9,109	9,109

Notes:

- Revaluation of services:

According to the minimum guaranteed. The minimum guaranteed return represents the financial contractual commitment of the company, including the technical rate.

- Inflation:

an inflation rate of 2.35% was adopted, assuming that, over the long-term period, this was sufficiently prudent. This was utilised in the valuation to increase year by year.

- Discount rate:

EuroSwap Curve at the valuation date, except where specified above.

- Redemptions, Reductions, Cancellation:

the frequency to be eliminated fluctuates in a range between 0.00% and 33.03% for the traditional portfolio and between 0.00% and 44.02% for the Unit and Index portfolio.

- Mortality:

the actuarial valuations were calculated adopting the probability of survival discounting 30% those deriving from the table SIM/F 2002.

- Operating expenses:

Management expense fluctuates in a range between Euro 22/year and Euro 50/year. Annual expenses attributed to the management of the contracts refer to personnel and services related to the management of the existing portfolio.

Index- and unit-linked policies

For the valuation of index and unit products classified as “insurance” (IFRS 4), it is necessary to verify the adequacy of the reserves recorded in the financial statements in relation to the risks underwritten and to future expenses.

LAT Evaluations - Index and Unit insurance at 31.12.09 (in € thousands)

Division		Unit-Linked	Index linked	Total
Fondiaria-SAI S.p.A.	LAT Res.	61,731	213,024	274,755
	Tot. per Accounts	63,253	214,781	278,034
	Class D Res.	62,337	211,697	274,034
	Additional Res.	562	267	829
	Expenses Res.	355	2,817	3,172
Milano Ass.ni S.p.A.	LAT Res.	-	220,050	220,050
	Tot. per Accounts	-	221,618	221,618
	Class D Res.	-	618,665	618,665
	Additional Res.	-	-	-
	Expenses Res.	-	2,952	2,952
Popolare Vita	LAT Res.	114,649	3,200,173	3,314,822
	Tot. per Accounts	115,708	3,206,030	3,321,738
	Class D Res.	115,471	3,178,314	3,293,785
	Additional Res.	237	7,276	7,513
	Expenses Res.	-	20,439	20,439

Notes:

- Revaluation of services:

According to the minimum guaranteed. The minimum guaranteed return represents the financial contractual commitment of the company, including the technical rate.

- Inflation:

an inflation rate of 2.35% was adopted, assuming that, over the long-term period, this was sufficiently prudent. This was utilised in the valuation to increase EuroSwap Curve at the valuation date, except where specified above.

- Discount rate:

- Redemptions, Reductions, Cancellation:

the frequency to be eliminated fluctuates in a range between 0.00% and 33.03% for the traditional portfolio and between 0.00% and 44.02% for the Unit and Index the actuarial valuations were calculated adopting the probability of survival discounting 30% those deriving from the table SIM/F 2002.

- Mortality:

- Operating expenses:

Management expense fluctuates in a range between Euro 22/year and Euro 50/year. Annual expenses attributed to the management of the contracts refer to personnel and services related to the management of the existing portfolio.

Guaranteed return reserves

With regard to commitments assumed in respect of policyholders, the breakdown of the Life reserves for the Group companies, as set out below, shows that more than half (51.2%), or Euro 8,859.2 million, are for policies with guaranteed returns of 1% to 3%, while a little under 21% (or Euro 3,582 million) are for policies with guaranteed returns of 3% to 5%.

Meanwhile, the reserves for non-guaranteed contracts are modest (Euro 177.8 million), while, compared with the previous year, there was a decrease in both the reserves intended for contracts with guaranteed interest rates at expiry, which went from Euro

4,130.2 million in 2008 to Euro 3,931.2 million in 2009, and in reserves for contracts with guarantees connected to specific assets, which went from Euro 807.9 million in 2008 to Euro 744.3 million in 2009.

Insurance reserves of the Life segment: guaranteed return (*)

<i>(in Euro millions)</i>	(**) 2009	(***) 2008
Reserves with guaranteed annual interest rate	12,449.5	13,248.1
0% - 1%	8.3	8.7
from 3% to 5%	8,859.2	8,842.4
from 3% to 5%	3,582.0	4,397.0
Reserves without guaranteed interest rate	177.8	202.9
Reserves related to specific assets	744.3	807.9
Reserves with guaranteed interest rate on maturity	3,931.2	4,130.2
Total	17,302.8	18,389.1

(*) The total includes the amount of the direct gross mathematical reserves and the technical reserves where the investment risk is borne by the policyholders.

(**) Companies considered: Fondiaria-SAI, Milano Assicurazioni (including the former SASA Vita), Popolare Vita (including former Novara Vita).

(***) Companies considered: Fondiaria-SAI, Milano Assicurazioni (including the former SASA Vita), BPM Vita, Popolare Vita (including former Novara Vita)

Information on operating risks

The Operational Risk Management framework

The Fondiaria-SAI Group, driven by strategic and regulatory requirements, set out a framework, which is currently being implemented, for the identification, measurement, monitoring and management of operational risk, i.e. “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 activity of service providers (outsourcing risk)” (ISVAP Regulation 20, Article 18 paragraph 2, letter f). Based on the Operational Risk Management framework, the relationships and the reciprocal impacts between operational risks and the other risks indicated in the Map, including compliance risk and reputational risk, are also considered, with the aim of assessing the direct and indirect effects of events relating to operational risk. Specifically, the analysis used is aimed at understanding, according to causal logic, the risk factors, events and effects (monetary and non-monetary) and the impacts that these effects can have on the solvency of the Group and the achievement of targets.

Within the corporate governance structure of the Group, Operational Risk Management (ORM) activity is undertaken by the Operational Risk Management, IT and Privacy Unit within the Risk Management Department of Fondiaria-SAI. The objectives assigned to this unit, within the internal control system, aim to ensure the safeguarding of the Group assets, adequate control of risks and improved business efficiency.

In undertaking its activities in 2009, the Risk Management Department was assisted by the operational structures in the data collection process. In line with the organisational model of the Group, the Process Owners within the operating organisation, who are responsible for risks in their area, collaborated with the Organisational Contacts, who are operatives with specific training in risk.

The Risk Management Department also interfaces with the other control entities within a reciprocal consultative and information-sharing relationship, for projects in which the different organisational departments participate. In particular, the key personnel/departments with which operating relationships are maintained are:

- the executive in charge pursuant to Law 262/2005
- the Compliance and Coordination Committee and the Compliance Department
- the Audit Department.

For classification of operating risks, the event-type model developed in banking (Basel II) is used, while CEIOPS is currently using for Solvency II. This classification, structured on three levels, was modified for the second and third levels to adapt it to the specific criteria and methods of internal analysis models. The first classification level is shown below.

Classification of operating risk

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

Activities carried out and objectives for 2010

In relation to RSA, the year saw the following up and further exploration of analyses undertaken in previous years, and the extension of the parameter on new insurance business processes: the underwriting of risks, the management of claims and reinsurance. Specifically, assessment was undertaken of:

- the process of underwriting special risks (risks relating to the Aircraft, Hailstorm, Bond and Technological classes)
- the reinsurance process, both relating to activities in Italy and to the captive company of the Fondiaria-SAI Group, Lawrence Re, located in Ireland
- the linking process between underwriting of technological risks and the reinsurance process with the aim of an “end-to-end” vision between underwriting and reinsurance.

Relating to the follow-up of areas already analysed, an update was undertaken with more detailed analysis in some cases with a specific focus on any elements of particular interest. This activity concerned:

- the finance process, with special attention to risks that could occur due to information system malfunctions; an additional analysis was conducted on risks relative to the application for settlement and purchase and sale of securities
- the claims settlement process relating to the verification of some indicators agreed at first recognition in 2008;
- the administrative and management processes of SGR SAI Investimenti on the property funds Tikal R.E. and Athens, focusing the analysis on the impact of regulatory changes.

In line with the objectives of collaboration and coordination with the other governance functions, the results of the analysis were shared with the relevant structures for regulatory compliance aspects and for observance of Law 262. The questionnaires, which included about 100 questions, were drawn up in accordance with the method, referring to the risks identified following an analysis of the process carried out in collaboration with the Audit Department, with the support of the contacts for the process and based on previous verifications.

In 2010, the business plan provides for further extension of the assessment to the following business processes:

- the Life process (from underwriting to settlement)
- the Motor risk underwriting process;
- The broker management process.

Relating to the launch of Loss Data Collection, completion of the analysis resulted in a revision of the approach initially assumed, as it was not considered possible at present to embark on a path involving extensive process automation. It was therefore decided to create a network of personnel dedicated to risk management activities, whose aims would include producing an adequate and timely loss data collection. The creation of this network, training and the definition of operating procedures are objectives for 2010.

Other risks

Risks associated with investee companies in the banking and financial segment

Following the entry into force of the 7th update of Bank of Italy Circular 216 and based on indications provided by Fondiaria-SAI, approved by the Board of Directors, BancaSai and Finitalia adopted the simplified method for the calculation of new capital requirements. The new method is used for the “first pillar”, which relates to credit, counterparty, market, exchange rate and operating risks.

As stated in the above-mentioned regulation, application of the other two pillars “Prudent Control Process” (ICAAP or Internal Capital Adequacy Assessment Process) and “Public Information” within the banking groups is under the direct control of the senior management of the Group. The functions undertaking risk analysis, management and monitoring, particularly in relation to credit risk, use tools that are fully integrated within the decision-making process, which also permit for periodic performance information (reports and performance indicators) to be obtained.

For the details of these risks, pursuant to Article 2428 of the Italian Civil Code, see below.

BancaSai

The Bank continues to focus on the risk fractioning, which is still one of the important requisites of the loan portfolio, both in relation to distribution by economic activity and concentration by individual client. Apart from the credit line granted to the subsidiary Finitalia, which represents approximately 12% of the total of the portfolio, the breakdown of credit lines by economic activity shows that loans to Households represent almost 40% of the total, loans to banks and financial service companies 9%, to building and public works companies and insurance, financial and auxiliary services companies 8% respectively, and to other segments with reduced percentages.

In view of its operating activities, credit risk is the principal risk component to which the bank is exposed. Credit risk is risk – connected to the activity of granting credit – relating to the probability of loss of either capital or interest, originating from the insolvency of the debtor. Credit risk is measured and monitored in terms of the maximum overall credit line, represented by the sum of all risk activities – denominated in any currency – in respect of customers or groups of customers related to an economic or legal segment.

Particular attention is given to the granting of commercial credit lines due to the inherent characteristics of this technical form (they can ensure greater client loyalty, generate attractive margins and can be used as an indicator of the state of health of our counterparties, through verification of portfolio returns). The self-liquidating lines grew by over 10% overall from the beginning of the year, in addition to those repaid through instalments and related to property mortgages, which characterised the start-up phase of the bank.

Due to the deteriorating economic climate, from August 2008 and throughout 2009 there was an overall increase in problem loans, in spite of increased customer monitoring. Nevertheless, the quality of the loan book remains good: 97% of the credit portfolio is current, the percentage of non-performing loans on the total loans amounts to 3%; and the individual positions are adequately managed and prudently written down (the level of coverage of the non-performing loans is 30%). The constant monitoring of the loan portfolio, as well as the prior examination of debtor solvency, continued during the year. From this viewpoint, the annual revision of the credit lines was particularly important, involving a higher number of counterparties than the previous year due to the greater number of loans and the reduction of the credit limit threshold for the revision of credit limits.

The increased deterioration of loans in 2009 compared with the previous year, comprising overdue and non-performing loans or the persistent breaching of credit limits, as shown in the table below, is caused by the current recession, and in particular the widespread deterioration among SMEs and households, segments in which BancaSai has a strong presence and in which there has been some respite in recent months. Adequate provisions have been made against these loans, whose risk levels determine the prompt instigation of necessary recovery actions.

In relation to risk policies, one of the key pillars in the management and formulation of the strategic choices of BancaSai is the monitoring of the area in which it operates through its branch network and, to a lesser extent, through the insurance agency and promoter networks of the Fondiaria-SAI Group.

Based on this principle, the loan portfolio of BancaSai is concentrated in northwest and central Italy; the bank covers the other regions to a lesser extent and principally in relation to home loans.

The bank also uses the credit rating system to establish internal ratings for customers. The analysis of the migration matrices compared with the beginning of the year showed upgrading for 25% of the portfolio and downgrading for 32% of the portfolio, with the remainder staying unchanged or without rating. For the purposes of calculating capital requirements against credit risks, as of 1 January 2008, BancaSai applies the rules stipulated by the new regulations for the standardised method: the current rating system used for management purposes is therefore not used for regulatory capital purposes.

The table below shows the percentage of each rating class in respect of the total.

Breakdown of loan portfolio by rating class and segment (values in %)

Customer rating	Ist.Ban.,							Total
	No seg.	Corp. Ent.	Broking	AS.	SME	Priv.Cons.	Small.Bus	
No rating	0.37%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.37%
AAA	0.00%	0.10%	0.00%	0.00%	0.00%	0.02%	0.08%	0.20%
AA	0.00%	6.68%	1.65%	1.02%	1.77%	0.85%	0.30%	12.27%
A	0.00%	2.63%	1.18%	0.00%	1.05%	3.18%	0.52%	8.56%
BBB	0.00%	1.28%	0.00%	0.00%	0.29%	6.10%	0.22%	7.89%
BB	0.00%	2.88%	0.02%	0.02%	0.45%	14.08%	0.54%	17.99%
B	0.00%	5.63%	5.35%	0.00%	1.05%	11.84%	0.76%	24.63%
CCC	0.00%	0.55%	0.00%	0.01%	2.49%	0.72%	0.22%	3.99%
CC	0.00%	2.87%	0.00%	0.00%	2.07%	1.28%	3.09%	9.31%
C+	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.01%	0.03%
C	0.00%	0.40%	0.00%	0.00%	0.56%	0.04%	0.17%	1.17%
D	0.00%	0.36%	0.00%	0.00%	0.23%	0.69%	0.41%	1.69%
Partial tot.	0.37%	23.38%	8.20%	1.05%	9.96%	38.82%	6.32%	88.10%
Finitalia	0.00%	0.00%	11.90%	0.00%	0.00%	0.00%	0.00%	11.90%
Grand tot.	0.37%	23.38%	20.10%	1.05%	9.96%	38.82%	6.32%	100.00%

Finitalia

The organisational structure is based on the separation between the functions of credit provision and credit control and management.

The Board of Directors has the ability and the authority to determine the Company's general management strategies. In relation to internal controls, the Board of Directors approves the strategic and management policies for risk, as well as the organisational structure of the Company. The strategies and policies are principally contained in the documents "Company Regulations" and "Risk Underwriting and Management".

The Credit Department is responsible for the credit risk underwriting. The Credit Recovery Department is responsible for the management and recovery of loans and reports to General Management. The Credit Risk Organisation and Control Department is responsible for credit risk control and reports to the Risk Management Department, which in turn reports to the Banking Group Risk Committee through a system of internal reporting and oversees compliance with the capital requirements, calculating the risk weighted asset against the credit and counterparty risk of the bank portfolio, pursuant to "Basel II".

The granting of credit is undertaken using a profile of the potential borrower and based on their capacity for borrowing and capacity to generate sufficient cash flows to meet the repayments on the pre-established payment dates. Finitalia has implemented a credit assessment process that takes into consideration all the information acquired from internal and external databanks, using customer knowledge in both banking/financial and insurance terms, and obtaining a customer profile based on all the relationships in progress with the Fondiaria-SAI Group. The borrower is processed and analysed through semi-automatic procedures by personnel in accordance with the levels of authority assigned, included in the management system operating on AS400.

General Management is directly responsible for analysing and classifying non-performing loans, as well as verifying impairment testing. The criteria for the impairment test provide for segmentation of the portfolio by uniform categories of products and by different risk classes to which are applied the average statistical percentage losses recorded analysing historical data.

Finitalia has adopted, for the purposes of the calculation of the capital requirements necessary for credit risk, the simplified standardised calculation method, in accordance with that of the Banking Group.

In order to permit correct monitoring of the risks of the BancaSai Banking Group, Finitalia provides Fondiaria-SAI with specific data extractions on a monthly basis in order to provide a general overview of the credit risk trend at consolidated level.

The management and recovery of non-performing loans is undertaken through standardised and automated procedures within the management system, which classifies the various loans by expiry period. The entire process is undertaken by the Credit Recovery Department, in conjunction with the Insurance Department if any insurance guarantees exist.

The various credit recovery phases are based on the amount overdue and type of credit (credit card or personal loan), beginning with solicitation letters and/or telephone calls for small insolvencies, up to debt collectors and other legal action for significant amounts overdue.

The eventual write-off of the position, where such conditions exist, only takes place after exhaustion of the entire recovery process, any relative legal action and through the acquisition of additional information. The write-off of positions is undertaken on a monthly basis.

PART F - Information on business combinations and discontinued operations

In accordance with IFRS 3, the following transactions took place using the business combination method, and the consolidated income statement of the Fondiaria-SAI Group includes the income of the companies acquired from the acquisition date.

See the Directors' Report on operations for details of the transactions and information relating to the income statements of the companies acquired.

Acquisition of 100% of Atahotels Group

As amply discussed in the Directors' Report on operations, with reference to the preliminary agreement signed at the end of 2008 by Fondiaria-SAI S.p.A. and Milano Assicurazioni S.p.A. for the acquisition of 100% of the share capital of Atahotels S.p.A. from Sinergia Holding di Partecipazioni S.p.A. and Raggruppamento Finanziario S.p.A., on 29 May 2009 the transaction was completed for a total consideration of Euro 25 million, equal to a 51% stake and a 49% stake, respectively, in the share capital of Atahotels.

The cost of the transaction was compared with the fair value of the current and potential assets and liabilities of the company acquired.

The difference was allocated as follows:

(in € thousands)

Goodwill	9,857
Brand	11,834
Deferred tax liabilities	3,834

The value of the brand, considered fair based on an independent expert's opinion, is representative of the price paid of the subsidiary Atavalue S.r.l.

A summary of the book values of the company acquired is provided below:

	Book value	Fair Value adjustments	Total Fair Value
<i>(in € thousands)</i>		Allocation of gains	
Intangible assets	53,090	11,834	64,924
Property, plant and equipment	28,625	-	28,625
Investments	9,971	-	9,971
Cash	2,974	-	2,974
Receivables and other net assets	(44,512)	(3,834)	(48,346)
Financial liabilities	(44,969)	-	(44,969)
Provisions	(413)	-	(413)
Net assets acquired			12,766
Acquisition price			25,000
Total goodwill.			12,234
Minority interest share			2,377
Goodwill recorded			9,857

The net cash flow of the acquisition was as follows:

<i>(in € thousands)</i>	
Paymant in cash	(25,000)
Cash and banks acquired	2,974
Net cash outflow	(22,026)

The acquisition of the Atahotels Group contributed negatively to the consolidated results of the Fondiaria-SAI Group for Euro 19 million.

BIPIEMME VITA S.p.A.

In December 2009, Banca Popolare di Milano S.c.a r.l. and Milano Assicurazioni S.p.A. formalised an agreement for the mutual winding-up of the partnership in the bancassurance sector signed in 2005.

The guidelines of the agreement, approved by the respective Boards of Directors, provide for the repurchase by Banca Popolare di Milano of the 51% holding in Bipiemme Vita S.p.A. held by Milano Assicurazioni for a consideration of approximately Euro 122 million. The transfer of the equity investment will take place, subject to obtaining the necessary authorisations, during 2010.

Therefore, in accordance with IFRS 5, the 2009 data of Bipiemme Vita is not fully consolidated but restated under specific items in the financial statements (non-current assets and liabilities or of a discontinued group held for sale, and profit (loss) from discontinued operations).

The effects of this restatement for 2009 and the 2008 income statement showing the contribution of Bipiemme Vita to the individual items are shown below:

(in € thousands)

	Bipiemme Vita 31/12/09	Consolidation adjustments	Total BPM Vita assets in sale
INTANGIBLE ASSETS	107	86,846	86,953
Goodwill	-	20,845	20,845
Other intangible assets	107	66,001	66,108
PROPERTY, PLANT AND EQUIPMENT	145	-	145
Property	-	-	-
Other property, plant and equipment	145	-	145
TECHNICAL RESERVES – REINSURANCE AMOUNT	5,083	-	5,083
INVESTMENTS	3,857,601	- 3,	857,601
Investment property	-	-	-
Equity investments in subsidiaries, associates and joint ventures	-	-	-
Investments held to maturity	93,316	-	93,316
Loans and receivables	-	-	-
Financial assets available-for-sale	2,276,533	-	2,276,533
Financial assets at fair value through profit or loss	1,487,752	-	1,487,752
OTHER RECEIVABLES	10,798	-	10,798
Receivables from direct insurance operations	7,320	-	7,320
Receivables from reinsurance operations	109	-	109
Other receivables	3,369	-	3,369
OTHER ASSETS	84,986	(3,637)	81,349
Non-current assets or assets of a discontinued group held for sale	-	-	-
Deferred acquisition costs	-	-	-
Deferred tax assets	18,546	-	18,546
Current tax assets	55,440	-	55,440
Other assets	11,000	(3,637)	7,363
CASH AND CASH EQUIVALENTS	54,911	-	54,911
TOTAL ASSETS	4,013,631	83,209	4,096,840

(in € thousands)

	Bipiemme Vita 31/12/09	Consolidation adjustments	Total BPM Vita liabilities in sale
TECHNICAL RESERVES	2,581,625	-	2,581,625
FINANCIAL LIABILITIES	1,154,667	-	1,154,667
Financial liabilities at fair value through profit or loss	1,146,434	-	1,146,434
Other financial liabilities	8,233	-	8,233
PAYABLES	62,709	-	62,709
Payables from direct insurance operations	13,983	-	13,983
Payables from reinsurance operations	2,195	-	2,195
Other payables	46,531	-	46,531
OTHER LIABILITIES	53,404	21,594	74,998
Liabilities directly associated with non-current assets or disposal group classified as held for sale	-	-	-
Deferred tax liabilities	19,265	21,594	40,859
Current tax liabilities	14,528	-	14,528
Other liabilities	19,611	-	19,611
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3,852,405	21,594	3,873,999

	Bipiemme Vita 31/12/09	Consolidation adjustments	BPM Vita Income/(Expe nses) in sale
Net premiums	667,620	-	667,620
<i>Gross written premium</i>	675,652	-	675,652
<i>Premiums ceded to reinsurers</i>	(8,032)	-	(8,032)
Commission income	18,190	-	18,190
Income and charges from financial instruments at fair value through profit or loss	1,186	-	1,186
Income from equity investments in subsidiaries, associates and joint ventures	-	-	-
Income from other financial instruments and investment property	90,018	-	90,018
<i>Interest income</i>	67,061	-	67,061
<i>Other income</i>	8,915	-	8,915
<i>Realised gains</i>	14,042	-	14,042
<i>Unrealised gains and reversal of impairment losses</i>	-	-	-
Other revenues	220	-	220
TOTAL REVENUES AND INCOME	777,234	-	777,234
Net charges relating to claims	(706,926)	-	(706,926)
<i>Amounts paid and changes in technical reserves</i>	(710,775)	-	(710,775)
<i>Portion attributable to reinsurers</i>	3,849	-	3,849
Commission expense	(7,914)	-	(7,914)
Charges from equity investments in subsidiaries, associates and joint ventures	-	-	-
Charges from other financial instruments and investment property	(12,225)	-	(12,225)
<i>Interest expense</i>	(550)	-	(550)
<i>Other charges</i>	(6,447)	-	(6,447)
<i>Realised losses</i>	(5,228)	-	(5,228)
<i>Unrealised losses and impairment losses</i>	-	-	-
Operating expenses	(25,936)	-	(25,936)
<i>Commissions and other acquisition expenses</i>	(16,853)	-	(16,853)
<i>Investment management expenses</i>	(2,852)	-	(2,852)
<i>Other administrative expenses</i>	(6,231)	-	(6,231)
Other costs	(1,429)	(23,169)	(24,598)
TOTAL COSTS AND CHARGES	(754,430)	(23,169)	(777,599)
PROFIT (LOSS) BEFORE TAXES	22,804	(23,169)	(365)
Taxes	(6,053)	6,903	850
PROFIT/(LOSS) FOR THE YEAR BEFORE TAXES	16,751	(16,266)	485

(in € thousands)

	2008	BPM Vita financial statements e.g. 2008	Consolidation adjustments	2008 reclassified IFRS 5
Net premiums	11,153,553	599,906	-	10,553,647
<i>Gross written premiums</i>	<i>11,493,086</i>	<i>606,863</i>	-	<i>10,886,223</i>
<i>Premiums ceded to reinsurers</i>	<i>(339,533)</i>	<i>(6,957)</i>	-	<i>(332,576)</i>
Commission income	89,319	24,664	-	64,655
Income and charges from financial instruments at fair value through profit or loss	(341,548)	(3,340)	-	(338,208)
Income from equity investments in subsidiaries, associates and joint ventures	38,062	-	-	38,062
Income from other financial instruments and investment property	1,413,772	84,604	-	1,329,168
<i>Interest income</i>	<i>924,990</i>	<i>59,853</i>	-	<i>865,137</i>
<i>Other income</i>	<i>262,623</i>	<i>11,953</i>	-	<i>250,670</i>
<i>Realised gains</i>	<i>225,710</i>	<i>12,798</i>	-	<i>212,912</i>
<i>Unrealised gains and reversal of impairment losses</i>	<i>449</i>	-	-	<i>449</i>
Other revenues	460,392	100	-	460,292
TOTAL REVENUES AND INCOME	12,813,550	705,934	-	12,107,616
Net charges relating to claims	(8,965,047)	(632,351)	-	(8,332,696)
<i>Amounts paid and changes in technical reserves</i>	<i>(9,126,604)</i>	<i>(636,438)</i>	-	<i>(8,490,166)</i>
<i>Portion attributable to reinsurers</i>	<i>161,557</i>	<i>4,087</i>	-	<i>157,470</i>
Commission expense	(32,611)	(11,806)	-	(20,805)
Charges from equity investments in subsidiaries, associates and joint ventures	(7,236)	-	-	(7,236)
Charges from other financial instruments and investment property	(679,962)	(19,335)	-	(660,627)
<i>Interest expense</i>	<i>(144,866)</i>	<i>(829)</i>	-	<i>(144,037)</i>
<i>Other charges</i>	<i>(71,354)</i>	<i>(272)</i>	-	<i>(71,082)</i>
<i>Realised losses</i>	<i>(193,203)</i>	<i>(14,247)</i>	-	<i>(178,956)</i>
<i>Wpł gciągł losses'c'pf 'kō r'kto g'pv'iq'ugu</i>	<i>(270,539)</i>	<i>(3,9: 9+*****</i>	-	<i>(266,552)</i>
Operating expenses	(1,948,428)	(25,590)	-	(1,922,838)
<i>Commissions and other acquisition expenses</i>	<i>(1,478,826)</i>	<i>(17,131)</i>	-	<i>(1,461,695)</i>
<i>Investment management expenses</i>	<i>(17,932)</i>	<i>(2,495)</i>	-	<i>(15,437)</i>
<i>Other administrative expenses</i>	<i>(451,670)</i>	<i>(5,964)</i>	-	<i>(445,706)</i>
Other costs	(1,005,774)	(460)	(32,265)	(973,049)
TOTAL COSTS AND CHARGES	(12,639,058)	(689,542)	(32,265)	(11,917,251)
PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	174,492	16,392	(32,265)	190,365
Taxes	(83,728)	(6,198)	10,557	(88,087)
PROFIT/(LOSS) BEFORE TAXES	90,764	10,194	(21,708)	102,278
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	-	11,514	(11,514)
CONSOLIDATED PROFIT (LOSS) of which pertaining to the Group	90,764	10,194	(10,194)	90,764
	87,409	-	-	87,409

PART G – Information on related-party transactions

Disclosure in the consolidated financial statements on “Related parties” is governed by IAS 24 and by Consob Communications.

The Parent Company’s main equity, financial and economic transactions with its subsidiaries (whether or not falling under the scope of application of Articles 2497 *et seq.* of the Italian Civil Code) are shown in the Directors’ Report on operations on its separate financial statements.

The transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company, were derecognised in the consolidated financial statements pursuant to the consolidation principles and are therefore not shown in these notes.

Transactions between the Group and other related parties are detailed in the following tables:

(in € thousands)

	31.12.09		31.12.08	
	Activities	Liabilities	Activities	Liabilities
Associated companies and joint ventures	29,875	2,779	92,238	3,034
Group companies	7	8	6	20
Other related parties	250,102	34,226	371,026	68,383

(in € thousands)

	31.12.09		31.12.08	
	Income	Charges	Income	Charges
Associated companies and joint ventures	15,989	13,401	14,250	2,950
Group companies	5	-	5	-
Other related parties	16,442	130,406	16,318	110,692

All of the above transactions were concluded under normal market conditions. The receivables recorded under assets are not guaranteed and will be paid in cash. No provision was made in the year for any losses on receivables from related parties.

The principal transactions in the year are outlined below.

The main transactions that generated in connection with associated companies and joint ventures refer to:

- Euro 12 million due from the associated company HEDF Isola S.c.s. for interest-bearing loans granted by Milano Assicurazioni S.p.A.

The principal transactions with other related parties refer to:

- Euro 42 million with IM.CO. S.p.A. by Milano Assicurazioni S.p.A. as payments on account paid in the current year and in previous years to IM.CO S.p.A. in relation to property transactions concerning land located in Milan at Via Confalonieri-Via de Castilia (Lunetta dell’Isola). The project involved the sale

in 2005 to “IM.CO S.p.A.” of the aforesaid land, and it provides for the acquisition by “IM.CO S.p.A.”, at the price of Euro 93.7 million, of an office building under construction on the land sold.

- Euro 20 million due to IM.CO. S.p.A. by Fondiaria-SAI S.p.A. for additional capital expenditure incurred on buildings owned by it.
- Euro 103 million for advance payments paid in the current year and in previous years to Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to the execution of property contracts on the buildable surface area at Via Fiorentini in Rome. Note that this transaction, undertaken in 2003, included the sale to Avvenimenti e Sviluppo Alberghiero S.r.l. of the buildable surface area and the purchase by it of the building complex under construction on the area in question at a price of Euro 96 million. In relation to this project, in August 2009, a supplementary contract was signed with the counterparty for improvements to the building complex under construction, increasing the price by Euro 13.8 million plus VAT. Given the nature of the supplementary agreement, specific fairness and legal opinions were acquired, similar to those for the original contract.
- Euro 22 million claimed by Immobiliare Fondiaria-SAI S.r.l. against IM.CO. S.p.A. for Euro 19 million and against Marcora Costruzioni S.p.A. for Euro 3 million as payments on account for extraordinary maintenance operations and advances against future construction.
- Euro 8 million in payments on account, in previous years, by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Euro progetti S.r.l. for design work in the Castello Area (FI).
- Euro 30 million incurred by the subsidiary Villa Ragionieri S.r.l. with IM.CO. S.p.A. as increased costs for the expansion work and plant in the new health centre owned by the company.

The liabilities to associated companies and joint ventures relate to commercial transactions between the subsidiary Immobiliare Lombarda S.p.A. and its associated company Tre Torri S.c.a.r.l. for Euro 3 million.

The liabilities to other related parties refer mainly to trade payables of the subsidiary Immobiliare Fondiaria-SAI S.r.l. with I.C.E.IN. S.p.A. for Euro 2 million and with Marcora Costruzioni S.p.A. for Euro 17 million, as well as of the subsidiary Villa Ragionieri with IM.CO. for Euro 5 million for invoices to be received for work performed and, lastly, Fondiaria-SAI S.p.A. shows payables of a technical and administrative nature to professionals for Euro 4 million and payables for Life policy redemptions of Euro 3 million.

Income in respect of associated companies and joint ventures relates mainly to interest on loans incurred by the associated company Garibaldi S.c.s. with Milano Assicurazioni S.p.A. for Euro 1 million and construction revenues of Euro 12 million claimed by Immobiliare Lombarda against the associated company Citylife.

Income in respect of Other related parties refers mainly to insurance premiums of Euro 13 million and to the yield on leases entered into with Atahotels S.p.A. by Campo Carlo Magno S.p.A. of Euro 1 million and by the Tikal R.E. property fund of Euro 2 million.

Charges in respect of other related parties refer mainly to fees to directors for offices held in Group companies of Euro 25 million and to salaries of executives with strategic responsibilities of Euro 5 million.

Lastly, Euro 76 million was incurred by Immobiliare Lombarda (Euro 30 million) and Immobiliare Fondiaria-SAI (Euro 46 million) for operating and maintenance costs, respectively, on property assets.

The companies IM.CO S.p.A., I.C.E.IN. S.p.A., Marcora Costruzioni S.p.A. and Avvenimenti e Sviluppo Alberghiero S.r.l. are related parties in that there are members on the boards of directors of these companies, or their holding companies, also on the boards of Fondiaria-SAI and/or its subsidiaries.

In relation to the transactions with related parties, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

Directors' fees

The remuneration of directors for offices held in the Group in current year is shown in the following table:

<i>(in € thousands)</i>	31.12.09	31.12.08
Remuneration	14,066	13,902
Bonus and other incentives	-	1,000
Non-monetary benefits	3	2
Total	14,069	14,904

The remuneration of directors is fixed based on the average market remuneration level, while bonuses and the other incentives are normally determined ex-post in relation to results achieved and/or in relation to particular transactions.

On 20 June 2007, the vesting period established by the regulations of the stock option plan was anticipated, concerning the saving shares of the Company, in favour of the executive directors and management of Fondiaria-SAI, of its subsidiaries and of the Parent Company, as approved by the shareholders' meeting of 28 April 2006. The decision takes into account both the achievement of some of the targets in the 2006-2008 Industrial Plan of the Group and the various fiscal regulations to which the plans are subject in respect of the date of their approval.

Obligation to publish fees for accounts auditing and other auditing services

The Consolidated Finance Act reform contained in Law 262 of 28 December 2005, supplemented by Legislative Decree 303 of 29 December 2006, changed the regulations on conflicts of interest for independent auditors and introduced new requirements in relation to the disclosure of audit fees pursuant to Article 160, paragraph 1-*bis*.

Article 149 of the Consob Issuer Regulations implemented Article 160, paragraph 1-*bis* of the Consolidated Finance Act and establishes the format for the disclosure of the audit fees that the independent auditor and entities in its network received, separately, for auditing or other services and indicating the type or category of the service.

The different types of compensation received by the independent auditor Deloitte & Touche S.p.A. paid by Premafin HP S.p.A. are listed below:

Type of service	Party providing the service	Recipient	Remuneration (in Euro thousands)
a) accounts auditing	Deloitte & Touche S.p.A.	Premafin HP S.p.A.	188
b) certification work			-
c) fiscal consulting			-
d) other services			
- Tax declarations	Deloitte & Touche S.p.A.	Fondiarria-SAI	6
Total fees in the year			194

n.b. fees exclusive of VAT

d) fees for advisory comfort letter for bond loan

fees for consultancy on acquisition

The different types of compensation received by the independent auditor Deloitte & Touche S.p.A. paid by Group subsidiaries are listed below:

Type of service	Party providing the service	Recipient	Remuneration (in Euro thousands)
a) accounts auditing	Deloitte & Touche S.p.A.	Subsidiaries	2,495.0
b) certification work	Deloitte & Touche S.p.A.	Subsidiaries	593.2
c) fiscal consulting	-	-	-
d) other services	Deloitte & Touche S.p.A.	Subsidiaries	392.7
Total fees in the year			3,480.9

n.b. fees exclusive of VAT

PART H – Other information

Exchange Rates

The exchange rates of the principal currencies used for the conversion of the financial statements are as follows:

	2009	2008
US Dollar	1.4406	1.3917
UK Sterling	0.8881	0.9525
Japanese Yen	133.16	126.14
Swiss Franc	1.4836	1.485
Serbian Dinar	96.2044	89.3912

Group solvency margin

In accordance with the provisions of the Supervisory Authority in relation to the correct solvency margin and the application of prudent filters, consequent to the introduction of IAS/IFRS standards into our code of law, for the year 2009 the ratio between the constituent elements and the amount of the correct solvency margin required was approximately 105% (110% at 31 December 2008).

Information

Pursuant to IAS 10 paragraph 21 *et seq.*, no particularly significant events are noted. The paragraph “Significant events after year-end” in the Directors’ Report on operations describes the main events occurring after 31 December 2009.

Milan, 26 March 2010

For the Board of Directors
the Chairman and Chief Executive Officer
Giulia Maria Ligresti

PREMAFIN FINANZIARIA S.p.A.

Holding di Partecipazioni

**CERTIFICATION OF THE CONSOLIDATED
FINANCIAL STATEMENTS PURSUANT TO
ARTICLE 81-TER OF CONSOB REGULATION
11971**



**Certification of the consolidated financial statements pursuant to Article 154-bis
of Consob Regulation 58/98**

1. We the undersigned, Giulia Maria Ligresti, as Chairman and Chief Executive Officer, and Giuseppe Nassi, as Executive responsible for the preparation of the corporate accounting documents of Premafin Finanziaria S.p.A., hereby certify, also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February, 1998:
 - the accuracy of the information on company operations and
 - the effective applicationof the administrative and accounting procedures for the preparation of the consolidated financial statements for the period from 1 January 2009 - 31 December 2009.
2. The evaluation of the adequacy of the accounting and administrative procedures for the preparation of the consolidated financial statements at 31 December 2009 is based on models defined by the Premafin Group in accordance with the “Internal Control – Integrated Framework” and “Cobit” models, which represent benchmarks for internal control systems generally accepted internationally.
3. Also note that:
 - 3.1. The consolidated financial statements at 31 December 2009:
 - a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002
 - b) correspond to the accounting documents and records
 - c) were prepared in accordance with Article 9 of Legislative Decree 38/2005 and ISVAP provisions, regulations and circulars, and provide a true and fair representation of the financial position and income of the issuer and of all the consolidated companies
 - 3.2. The Directors’ Report includes a reliable analysis of the performance and operating result as well as the situation of the issuer and of the consolidated companies, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 26 March 2010

the Chairman and
Chief Executive Officer
signed Giulia Maria Ligresti

Executive responsible for the preparation
of corporate accounting documents
signed Giuseppe Nassi

PREMAFIN FINANZIARIA S.p.A. HOLDING DI PARTECIPAZIONI

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Share capital Euro 410,340,220 fully paid. – Companies Register no. and Taxpayer I.D. 07416030588 – VAT Code 01770971008 – Economic Activity Register no. 611016



LIGRESTI GROUP

PREMAFIN FINANZIARIA S.p.A.
 Holding di Partecipazioni
APPENDICES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

PREMAFIN FINANZIARIA - S.p.A.

Holding di Partecipazioni

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Basis of consolidation

Order number	Name	State	Method (1)	Activites (2)	% Direct equity investment	% Total holding (3)	% Available votes in ordinary general meeting (4)	% Consolidation
1	FONDIARIA - SAI S.p.A.	86	G	4	28,00	33,063	41,64	33,06
2	FINADIN S.p.A.	86	G	11	60,00	73,225	100	73,23
3	INTERNATIONAL STRATEGY S.r.l.	86	G	10	100,00	100,000	100	100,00
4	BANCA SAI SPA	86	G	7	0,00	33,063	100	33,06
5	BIM VITA SPA	86	G	1	0,00	16,531	50	33,06
6	BRAMANTE SRL	86	G	10	0,00	33,063	100	33,06
8	CAMPO CARLO MAGNO SPA	86	G	10	0,00	21,011	100	33,06
9	CARPACCIO SRL	86	G	10	0,00	33,063	100	33,06
10	CASA DI CURA VILLA DONATELLO SPA	86	G	11	0,00	33,063	100	33,06
11	CASA DI CURA VILLANOVA SRL	86	G	11	0,00	33,063	100	33,06
12	CASCINE TRENNO S.R.L	86	G	10	0,00	33,063	100	33,06
13	COLPETRONE SRL	86	G	11	0,00	32,229	100	33,06
14	CONSORZIO CASTELLO	86	G	10	0,00	32,567	99,66	33,06
16	PONTORMO SRL (formerly COS.ED SPA)	86	G	10	0,00	33,063	100	33,06
17	CRIVELLI SRL	86	G	10	0,00	33,063	100	33,06
18	DIALOGO ASSICURAZIONI SPA	86	G	1	0,00	20,981	99,85	33,06
19	DOMINION INSURANCE HOLDING LTE	31	G	11	0,00	33,059	100	33,06
21	SAI ASSET MANAGEMENT SGR (FORMERLY EFFE GESTIONI)	86	G	8	0,00	33,063	100	33,06
22	SYSTEMA VITA SPA	86	G	1	0,00	33,063	100	33,06
23	EUROPA TUTELA GIUDIZIARIA SPA	86	G	1	0,00	33,063	100	33,06
24	EUROSAI FINANZIARIA DI PARTECIPAZIONE SRI	86	G	11	0,00	33,063	100	33,06
25	FINITALIA SPA	86	G	11	0,00	33,063	100	33,06
26	FINSAI INTERNATIONAL SA	92	G	11	0,00	33,059	100	33,06
27	FONDIARIA NEDERLAND BV	50	G	11	0,00	33,063	100	33,06
28	DIALOGO VITA SPA	86	G	1	0,00	25,832	100	33,06
29	IMMOBILIARI LITORELLA SRI	86	G	10	0,00	33,063	100	33,06
30	IMMOBILIARE LOMBARDA SPA	86	G	10	0,00	28,745	100	33,06
31	INIZIATIVE VALORIZZAZIONI EDILI IN.V.ED. SRI	86	G	10	0,00	33,063	100	33,06
32	INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA	86	G	10	0,00	33,063	100	33,06
35	MASACCIO SRL	86	G	10	0,00	33,063	100	33,06
36	MERIDIANO BELLARMINO SRL	86	G	10	0,00	33,063	100	33,06
37	MERIDIANO BRUZZANO SRL	86	G	10	0,00	33,063	100	33,06
39	MERIDIANO ORIZZONTI SRL	86	G	10	0,00	21,011	100	33,06

40	MERIDIANO PRIMO SRL	86	G	10	0,00	33,063	100	33,06
41	MERIDIANO QUARTO SRL	86	G	10	0,00	33,063	100	33,06
43	MERIDIANO SECONDO SRL	86	G	10	0,00	33,063	100	33,06
44	ATAVALUE SRL (formerly MERIDIANO TERZO	86	G	11	0,00	33,063	100	33,06
45	MILANO ASSICURAZIONI SPA	86	G	1	0,23	21,011	63,09	33,06
46	MIZAR SRL	86	G	10	0,00	33,063	100	33,06
49	NUOVA IMPRESA EDIFICATRICE MODERNA SRL	86	G	10	0,00	33,063	100	33,06
50	NUOVE INIZIATIVE TOSCANE SRL	86	G	10	0,00	32,686	100	33,06
51	MARINA DI LOANO SPA	86	G	10	0,00	33,063	100	33,06
53	PROGETTO BICOCCA LA PIAZZA SRL in liquidation	86	G	10	0,00	24,466	74	33,06
54	PRONTO ASSISTANCE SPA	86	G	1	0,00	33,063	100	33,06
55	PRONTO ASSISTANCE SERVIZI SPA	86	G	11	0,00	26,435	100	33,06
56	RISTRUTTURAZIONI EDILI MODERNE R.EDIL.MO SRL	86	G	10	0,00	33,063	100	33,06
57	SAIAGRICOLA SPA	86	G	11	0,00	32,245	100	33,06
58	SAIFIN SAIFINANZIARIA SPA	86	G	11	0,00	33,063	100	33,06
59	SAI INVESTIMENTI S.G.R. SPA	86	G	8	20,00	42,956	80	33,06
60	SAINTERNATIONAL SA	92	G	11	0,00	33,059	99,99	33,06
61	SAI HOLDING ITALIA SPA	86	G	11	0,00	33,063	100	33,06
62	SAILUX SA	92	G	11	0,00	33,063	100	33,06
63	SAI MERCATI MOBILIARI SIM SPA	86	G	11	0,00	33,063	100	33,06
65	SANTA MARIA DEL FICO SRL	86	G	11	0,00	32,229	100	33,06
68	SCONTOFIN S.A.	86	G	11	0,00	51,258	89	51,26
69	SERVICE GRUPPO FONDIARIA SRL	86	G	11	0,00	29,449	100	33,06
70	SIAT SOCIETA' ITALIANA DI ASS. E RIASS. SPA	86	G	1	0,00	31,307	94,69	33,06
71	SIM ETOILE SA	29	G	10	0,00	33,059	99,99	33,06
72	SOGEINT SRL	86	G	11	0,00	21,011	100	33,06
73	SRP ASSET MANAGEMENT SA	71	G	11	0,00	33,059	100	33,06
75	STIMMA SRL	86	G	10	0,00	33,063	100	33,06
76	SYSTEMA COMPAGNIA DI ASS.NI SPA	86	G	1	0,00	21,011	100	33,06
77	THE LAWRENCE LIFE ASSURANCE CO LTE	40	G	2	0,00	16,531	100	33,06
78	THE LAWRENCE RE IRELAND LTD	40	G	5	0,00	33,063	100	33,06
79	TIKAL R.E. FUND	86	G	10	0,00	27,150	95,01	33,06
80	TRENNO OVEST S.R.L.	86	G	10	0,00	33,063	100	33,06
81	GRUPPO FONDIARIA-SAI SERVIZI SCRL (formerly UNISERVIZI	86	G	11	0,00	28,880	100	33,06
82	VILLA RAGIONIERI SRL	86	G	10	0,00	33,063	100	33,06
84	FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL	86	G	11	0,00	33,063	100	33,06
85	LIGURIA SOCIETA' DI ASSICURAZIONI SPA	86	G	1	0,00	21,004	99,97	33,06
86	LIGURIA VITA SPA	86	G	1	0,00	20,773	100	33,06
87	BANCA GESFID S.A.	71	G	7	0,00	33,063	100	33,06

88	CAPITALIA ASSICURAZIONI SPA	86	G	1	0,00	16,862	51	33,06
89	ITALIBERIA INVERSIONES FINANCIERAS SI	67	G	11	0,00	33,063	100	33,06
90	MERIDIANO AURORA SRL	86	G	10	0,00	33,063	100	33,06
91	BIPIEMME VITA SPA	86	G	1	0,00	10,714	51	33,06
93	SINTESI SECONDA SRL	86	G	10	0,00	21,011	100	33,06
94	SOCIETA' EDILIZIA IMM.RE SARDA S.E.I.S. SPA	86	G	10	0,00	17,083	51,67	33,06
95	POPOLARE VITA SPA	86	G	1	0,00	16,531	50	33,06
96	DDOR NOVI SAD ADO	289	G	3	0,00	33,059	99,99	33,06
97	SISTEMI SANITARI SCRL	86	G	11	0,00	30,526	99,92	33,06
98	AUTO PRESTO & BENE (FORMERLY SAI SISTEMI ASSICURATIVI SRL)	86	G	11	0,00	33,063	100	33,06
99	SAINT GEORGE CAPITAL MANAGEMENT SA	71	G	11	0,00	33,063	100	33,06
100	ATHENS PROPERTY FUND – SPECULATIVE FUND	86	G	10	0,00	21,011	100	33,06
101	CITTA' DELLA SALUTE SCRL	86	G	11	0,00	33,063	100	33,06
102	ATAHOTELS COMPAGNIA ITALIANA AZIENDE TURISTICHE ALBERGHIERE S.p.A.	86	G	11	0,00	27,158	100	33,06
103	DDOR RE JOINT STOCK REINSURANCE COMPANY	289	G	6	0,00	33,063	100	33,06
104	DONATELLO DAY SURGERY SRL	86	G	11	0,00	33,063	100	33,06
105	IMMOBILIARE FONDIARIA-SAI SRL	86	G	10	0,00	33,063	100	33,06
106	IMMOBILIARE MILANO ASSICURAZIONI SRL	86	G	10	0,00	21,011	100	33,06
107	ITALRESIDENCE SRL	86	G	11	0,00	27,158	100	33,06

(1) Consolidation method: Line-by-line =G, Proportional =P, Full integration with single management =U

(2) 1=Italian ins.; 2=EU ins.; 3=third-state ins.; 4=insurance holding; 5=EU reins.; 6=third-state reins.; 7=banks; 8=asset management companies; 9=misc. holdings; 10=property; 11=other

(3) is the product of investment relationships relative to all the companies that, placed along the investment chain, are eventually positioned between the company that prepares the consolidated financial statements and the company in question. When the latter is a direct investee company of more than one subsidiary it is necessary to add together the individual products.

(4) total percentage availability of votes at the ordinary general meeting if different from the proportion of the direct or indirect equity investment

PREMAFIN FINANZIARIA - S.P.A.

Holding di Partecipazioni

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Breakdown of non-consolidated equity investments

(Values in €)

Order number	Name	State	Activities (1)	Type (2)	% Direct equity investment	% Total holding (3)	% Available votes in ordinary general meeting (4)	Balance-sheet value
1	AGRISAI SRL	86	11	a	0,00	32,24	100,00	50.374
8	SOCIETA' FUNIVIE DEL PICCOLO SAN BERNARDO SPA	86	11	b	0,00	9,05	27,38	3.851.522
9	A7 SRL	86	10	b	0,00	4,20	20,00	357.000
10	BORSETTO SPA	86	10	b	0,00	9,44	44,93	3.489.000
12	CITY LIFE SRL	86	10	b	0,00	5,60	26,66	61.327.550
13	FIN. PRIV. SRL	86	11	b	0,00	9,45	28,57	33.587.625
14	GARIBALDI SCS	92	11	b	0,00	10,09	48,00	39.839.000
16	MB VENTURE CAPITAL FUND	50	11	b	0,00	9,92	30,00	9.615.000
17	METROPOLIS SPA	86	10	b	0,00	6,25	29,73	889.000
18	SERVIZI IMMOBILIARI MARTINELLI SPA	86	10	b	0,00	4,20	20,00	105.000
19	SOCIETA' FINANZ. PER LE GEST. ASSICURATIVE SRL in liquidation	86	11	b	0,00	6,50	22,41	0
20	SOAIMPIANTI-ORGANISMI DI ATTESTAZIONE SPA	86	11	b	0,00	7,15	21,64	317.114
21	UFFICIO CENTRALE ITALIANO SRL	86	11	b	0,00	7,07	25,53	130.136
22	PROGETTO ALFIERE SRL	86	10	b	0,00	6,28	19,00	6.605.613
23	EX VAR SCS	92	11	b	20,00	28,05	48,00	34.909.095
24	PENTA DOMUS SPA	86	10	b	0,00	4,20	20,00	2.280.000
25	SVILUPPO CENTRO EST SRL	86	10	b	0,00	8,40	40,00	303.000
27	GLOBAL CARD SERVICE SRL	86	11	a	0,00	19,74	95,00	0
30	FONDIARIA-SAI SERVIZI TECNOLOGICI SRL	86	11	b	0,00	16,86	51,00	4.923.669
33	IGLI SPA	86	11	b	0,00	9,01	33,33	56.731.735
34	QUINTOGEST SPA	86	11	b	0,00	16,20	49,00	1.980.000
36	INVESTIMENTI MOBILIARI S.r.l.	86	11	a	100,00	100,00	100,00	69.215
37	PARTECIPAZIONI E INVESTIMENTI S.r.l.	86	11	a	100,00	100,00	100,00	67.964
38	PARTECIPAZIONI MOBILIARI S.r.l.	86	11	a	100,00	100,00	100,00	54.168
39	CONO ROMA S.r.l. IN LIQUIDAZIONE	86	11	b	0,00	36,61	50,00	0
41	DDOR AUTO DOO	289	3	a	0,00	33,06	100,00	14.841
42	DDOR PENZIJA PLUS AD	289	11	a	0,00	33,06	100,00	1.157.870
43	CONSULENZA AZIENDALE PER L'INFORMATICA SCAI SPA	86	11	b	0,00	9,94	30,07	1.413.116
44	BUTTERFLY AM SARL	92	11	b	0,00	9,45	28,57	7.660.474
46	VALORE IMMOBILIARE SRL	86	10	b	0,00	10,51	50,00	13.099.544
47	TRE TORRI CONTRACTOR SCRL	86	10	b	0,00	14,33	50,00	5.000
48	HOTEL TERME DI SAINT VICENT SRL	86	11	a	0,00	27,16	100,00	1.313.963
49	ITAL H&R SRL	86	11	a	0,00	27,16	100,00	79.528
50	TOUR EXECUTIVE SPA	86	11	a	0,00	27,16	100,00	456.222
51	ATA BENESSERE SRL in liquidation	86	11	a	0,00	27,16	100,00	1
52	ATAHOTELS SUISSE SA	71	11	a	0,00	26,62	98,00	37.333
53	FONDO RHO IMMOBILIARE	86	10	b	0,00	12,52	41,71	55.278.768
54	HEDF ISOLA SCS	92	11	b	0,00	9,04	43,00	0

(1) 1=Italian ins.; 2=EU ins.; 3=third-state ins.; 4=insurance holding; 5=EU reins.; 6=third-state reins.; 7=banks; 8=asset management companies; 9=misc. holdings; 10=property; 11=other

PREMAFIN FINANZIARIA - S.P.A.

Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2009

Breakdown of tangible and intangible assets

(Values in €thousands)

	At cost	At recalculated value or fair value	Total balance sheet value
Investment property	2.599.955	-	2.599.955
Other property	837.294	-	837.294
Other property, plant and equipment	97.386	-	97.386
Other intangible assets	303.614	-	303.614

PREMAFIN FINANZIARIA - S.P.A.

Holding di Partecipazioni

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2009

Breakdown of technical reserves attributable to reinsurers

(Values in €thousands)

	Direct premiums		Indirect premiums		Total balance sheet value	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Non-Life reserves	473.649	436.599	216.520	200.056	690.169	636.655
Unearned premium reserve	80.638	73.359	62.113	57.970	142.751	131.329
Claims reserve	393.011	363.240	154.407	142.086	547.418	505.326
Other reserves	-	-	-	-	-	-
Life reserves	128.421	143.296	51.710	53.597	180.131	196.893
Reserve for claims to be paid	879	618	821	1.720	1.700	2.338
Mathematical reserves	127.541	142.677	50.889	51.877	178.430	194.554
Other reserves	1	1	-	-	1	1
Total technical reserves attributable to reinsurers	602.070	579.895	268.230	253.653	870.300	833.548

PREMAFIN FINANZIARIA - S.P.A.
Holding di Partecipazioni
CONSOLIDATED FINANCIAL STATEMENTS
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Breakdown of financial assets
(Values in €thousands)

	<u>Financial assets at fair value through profit or loss</u>											
	Investments held to maturity		Loans and receivables		Financial assets available-for-sale		Financial assets held for trading		Financial assets designated at fair value through profit or loss		Total balance sheet value	
	DEC 2009	DEC 2008	DEC 2009	DEC 2008	DEC 2009	DEC 2008	DEC 2009	DEC 2008	DEC 2009	DEC 2008	DEC 2009	DEC 2008
Equity securities and derivatives valued at cos	-	-	-	-	-	-	-	-	-	-	-	-
Equity securities at fair value	-	-	-	-	1.669.996	1.510.186	2.222	6.040	95.637	68.849	1.767.855	1.585.075
<i>of which listed securities</i>	-	-	-	-	1.532.793	1.371.407	2.175	5.941	95.637	68.849	1.630.605	1.446.197
Debt securities	808.473	845.789	1.020.996	115.432	16.261.500	17.578.402	156.161	200.984	7.314.034	6.399.868	25.561.164	25.140.475
<i>of which listed securities</i>	808.421	752.473	873.625	19.122	16.230.879	17.509.193	61.553	151.406	3.628.765	3.742.775	21.603.243	22.174.969
UCI units	-	-	-	-	963.466	883.503	30.110	24.606	379.978	930.026	1.373.554	1.838.135
Loans and receivables in respect of bank customers	-	-	506.848	455.159	-	-	-	-	-	-	506.848	455.159
Interbank loans and receivables	-	-	470.085	84.907	-	-	-	-	-	-	470.085	84.907
Deposits with ceding companies	-	-	28.570	31.045	-	-	-	-	-	-	28.570	31.045
Financial components receivable under insurance contracts	-	-	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	-	-	876.596	1.044.814	-	-	-	-	-	-	876.596	1.044.814
Non-hedging derivatives	-	-	-	-	-	51	3.509	15.961	602.582	259.115	606.091	275.127
Hedging derivatives	-	-	-	-	-	-	-	-	5.639	79.376	5.639	79.376
Other financial investments	-	-	4.915	60.063	1.972	2.865	-	-	65.236	95.850	72.123	158.778
Total	808.473	845.789	2.908.010	1.791.420	18.896.934	19.975.007	192.002	247.591	8.463.106	7.833.084	31.268.525	30.692.891

PREMAFIN FINANZIARIA - S.P.A.

Holding di Partecipazioni

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Breakdown of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by customers and deriving from pension fund management

(Values in €thousands)

	Services connected to investment funds and market indices		Services connected to pension fund management		Total	
	DEC 2009	DEC 2008	DEC 2009	DEC 2008	DEC 2009	DEC 2008
Assets in the financial statements	8.096.589	7.473.068	226.918	173.912	8.323.507	7.646.980
Intragroup assets*	-	-	-	-	-	-
Total assets	8.096.589	7.473.068	226.918	173.912	8.323.507	7.646.980
Financial liabilities in the financial statements	1.831.117	3.227.064	226.918	173.912	2.058.035	3.400.976
Technical reserves in the financial statements	6.265.181	4.245.012	-	-	6.265.181	4.245.012
Intragroup liabilities*	-	-	-	-	-	-
Total liabilities	8.096.298	7.472.076	226.918	173.912	8.323.216	7.645.988

(*) Assets and liabilities eliminated in the consolidation process

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Breakdown of technical reserves
(Values in €thousands)

	Direct premiums		Indirect premiums		Total balance sheet value	
	DEC 2009	DEC 2008	DEC 2009	DEC 2008	DEC 2009	DEC 2008
Non-Life reserves	11.562.636	11.171.917	105.599	109.694	11.668.235	11.281.611
Unearned premium reserve	2.728.648	2.692.653	1.998	3.536	2.730.646	2.696.189
Claims reserve	8.820.446	8.464.820	103.601	106.158	8.924.047	8.570.978
Other reserves	13.542	14.444	-	-	13.542	14.444
<i>of which reserves established after verification of consistency of liabilities</i>	-	-	-	-	-	-
Life reserves	20.029.981	18.019.133	19.834	20.792	20.049.815	18.039.925
Reserve for claims to be paid	154.568	233.828	486	617	155.054	234.445
Mathematical reserves	13.498.912	13.846.240	19.348	20.175	13.518.260	13.866.415
Technical reserves where investment risk borne by policyholders and from pension fund management	6.265.181	4.245.012	-	-	6.265.181	4.245.012
Other reserves	111.320	(305.947)	-	-	111.320	(305.947)
<i>of which reserves established after verification of consistency of liabilities</i>	-	-	-	-	-	-
<i>of which deferred liabilities to policyholders</i>	7.739	(437.128)	-	-	7.739	(437.128)
Total technical reserves	31.592.617	29.191.050	125.433	130.486	31.718.050	29.321.536

PREMAFIN FINANZIARIA - S.P.A.
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Breakdown of financial liabilities

(Values in €thousands)

	Financial liabilities at fair value through profit or loss							
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss		Other financial liabilities		Total balance sheet value	
	DEC 2009	DEC 2008	DEC 2009	DEC 2008	DEC 2009	DEC 2008	DEC 2009	DEC 2008
Equity instruments	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	1.040.425	1.050.497	1.040.425	1.050.497
Liabilities from financial contracts issued by insurance companies	-	-	2.058.035	3.400.976	-	16.001	2.058.035	3.416.977
<i>from contracts for which the investment risk is borne by policyholders</i>	-	-	1.831.117	3.227.064	-	-	1.831.117	3.227.064
<i>from pension fund management</i>	-	-	226.918	173.912	-	-	226.918	173.912
<i>from other contracts</i>	-	-	-	-	-	16.001	-	16.001
Deposits received from reinsurers	-	-	-	-	266.089	292.767	266.089	292.767
Financial components payable under insurance contracts	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	221.120	211.133	221.120	211.133
Payables to bank customers	-	-	-	-	579.289	403.616	579.289	403.616
Interbank payables	-	-	-	-	25.049	2	25.049	2
Other loans obtained	-	-	-	-	147.647	154.831	147.647	154.831
Non-hedging derivatives	15.609	20.430	-	-	-	643	15.609	21.073
Hedging derivatives	10.954	2.037	13.611	-	-	-	24.565	2.037
Miscellaneous financial liabilities	-	35.800	1.322	943	723.353	1.041.080	724.675	1.077.823
Total	26.563	58.267	2.072.968	3.401.919	3.002.972	3.170.570	5.102.503	6.630.756

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Breakdown of technical insurance items

(Values in €thousands)

	31.12.09			31.12.08		
	Gross amount	Ceded to reinsurers	Net amount	Gross amount	Ceded to reinsurers	Net amount
Non-Life management						
NET PREMIUMS	7.131.032	(351.093)	6.779.939	7.284.746	(316.756)	6.967.990
a Booked premiums	7.169.616	(367.641)	6.801.975	7.298.084	(323.974)	6.974.110
b Change in unearned premiums reserve	(38.584)	16.547	(22.037)	(13.338)	7.218	(6.120)
NET CHARGES RELATING TO CLAIMS	(5.929.786)	258.899	(5.670.887)	(5.324.134)	139.814	(5.184.320)
a Amounts paid	(5.697.312)	213.004	(5.484.308)	(5.851.572)	200.648	(5.650.924)
b Change in claims reserve	(359.162)	27.092	(332.070)	455.994	(42.749)	413.245
c Change in recoveries	127.487	18.803	146.290	71.518	(18.085)	53.433
d Change in other technical reserves	(799)	-	(799)	(74)	-	(74)
Life management						
NET PREMIUMS	5.137.011	(28.208)	5.108.803	4.208.340	(22.777)	4.185.563
NET CHARGES RELATING TO CLAIMS	(6.225.959)	24.821	(6.201.138)	(3.802.470)	21.743	(3.780.727)
a Sums paid	(2.620.619)	36.244	(2.584.375)	(4.042.926)	34.531	(4.008.395)
b Change in reserve for sums to be paid	44.670	(558)	44.112	42.094	(1.246)	40.848
c Change in mathematical reserves	(1.347.209)	(10.864)	(1.358.073)	313.888	(12.509)	301.379
d Change in technical reserves where investment risk borne by policyholders and from pension fund management	(2.330.677)	-	(2.330.677)	(111.449)	-	(111.449)
e Change in other technical reserves	27.877	(1)	27.876	(4.077)	967	(3.110)

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Financial income and charges and income/charges from investments

(Values in € thousands)

							Unrealised gains and reversal of impairment losses		Unrealised losses and impairment losses					
	Interest	Other income	Other charges	Realised gains	Realised losses	Total realised income and charges	Unrealised gains and reversal of impairment losses	Restatement of value	Unrealised losses and impairment losses	Restatement of value	Total unrealised income and charges	Total income and charges 31.12.09	Total income and charges 31.12.08	
Result from investments	1.016.007	211.154	(152.951)	377.170	(215.310)	1.236.070	672.331	4.591	(243.350)	(159.760)	273.812	1.509.882	529.904	
a From investment property	-	100.216	(60.322)	63.340	(6.769)	96.465	-	-	(59.843)	(2.750)	(62.593)	33.872	57.503	
From equity investments in subsidiaries, associates and joint ventures	-	14.212	(81.438)	-	(90)	(67.316)	-	-	(1.398)	-	(1.398)	(68.714)	30.473	
c From investments held to maturity	48.019	83	(5)	-	-	48.097	-	-	-	-	-	48.097	5.722	
d From loans and receivables	104.980	420	-	180	(7.092)	98.488	-	1.308	(3)	-	1.305	99.603	64.798	
e From financial assets available-for-sale	558.678	58.692	(3.422)	135.154	(96.567)	652.535	-	3.283	-	(157.010)	(153.727)	498.808	702.153	
f From financial assets held for trading	1.880	35.518	(25)	41.715	(34.309)	44.779	11.541	-	(12.288)	-	(747)	44.032	(103.480)	
From financial assets designated at fair value through profit or loss	302.450	2.013	(7.739)	136.781	(70.483)	363.022	660.790	-	(169.818)	-	490.972	853.994	(227.265)	
Result of miscellaneous receivables	38.626	25	(412)	-	-	38.239	-	-	-	-	-	38.239	14.058	
Result of cash and cash equivalents	15.872	32	(549)	-	-	15.355	-	-	-	-	-	15.355	37.886	
Result of financial liabilities	(99.488)	-	(981)	-	-	(100.469)	10.050	-	(7.728)	-	2.322	(98.147)	(155.658)	
From financial liabilities held for trading	-	-	-	-	-	-	10.050	-	(7.728)	-	2.322	2.322	(15.862)	
From financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	
c From other financial liabilities	(99.488)	-	(981)	-	-	(100.469)	-	-	-	-	-	(100.469)	(139.796)	
Result of payables	(12.060)	-	(8)	23	-	(12.045)	-	-	-	-	-	(12.045)	(14.690)	
Total	958.957	211.211	(154.901)	377.193	(215.310)	117.715	682.381	4.591	(251.078)	(159.760)	276.134	1.453.284	411.500	

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Breakdown of insurance management costs

(Values in €thousands)

	Non-Life segment		Life segment	
	31.12.09	31.12.08	31.12.09	31.12.08
Gross commissions and other acquisition expenses	(1.357.713)	(1.384.359)	(197.010)	(168.892)
a Acquisition commissions	(1.035.766)	(1.054.333)	(140.110)	(132.005)
b Other acquisition expenses	(207.359)	(200.891)	(46.026)	(24.076)
c Change in deferred acquisition costs	(75.409)	(93.433)	(742)	(1.392)
d Collection commissions	(39.179)	(35.702)	(10.132)	(11.419)
Commissions and sharing of profit received from reinsurers	92.715	73.344	3.881	1.082
Investment management charges	(8.293)	(8.382)	(5.129)	(8.942)
Other administration expenses	(286.783)	(294.386)	(59.726)	(78.527)
Total	(1.560.074)	(1.613.783)	(257.984)	(255.279)

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Breakdown of other comprehensive income

(Values in €thousands)

	Allocation		Adjustments for reclassification to the income statement		Other changes		Total changes		Taxes		Existing	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Translation reserve	(8.015)	5.625	-	-	-	-	(8.015)	5.625	-	-	(3.972)	4.043
Profit or loss on financial assets available-for-sale	300.166	(809.120)	79.416	(171.372)	-	89.956	379.582	(890.536)	(42.920)	206.755	(66.558)	(446.140)
Profit or loss on cash flow hedging instruments	(3.816)	(16.730)	-	-	-	-	(3.816)	(16.730)	460	4.107	(9.914)	(6.098)
Profit or loss on instruments hedging a net investment in a foreign-managed portfolio	-	-	-	-	-	-	-	-	-	-	-	-
Reserve from changes in shareholders' equity of investee companies	2.613	(28.789)	-	-	-	-	2.613	(28.789)	-	-	4.141	1.528
Revaluation reserve for intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve for tangible assets	(678)	9.364	-	-	-	-	(678)	9.364	(30)	(943)	8.753	9.431
Income and expenses on non-current assets or in a discontinued group held for sale	(685)	-	-	-	-	-	(685)	-	-	-	(685)	-
Actuarial gains and losses and adjustments related to defined benefit plans	(175)	(4.695)	-	-	-	-	(175)	(4.695)	601	2.028	(9.415)	(9.240)
Other elements	(56)	23.448	-	-	-	-	(56)	23.448	-	-	55.710	55.766
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	289.354	(820.897)	79.416	(171.372)	-	89.956	368.770	(902.313)	(41.889)	211.947	(21.940)	(390.710)

PREMAFIN FINANZIARIA - S.P.A.
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Breakdown of financial assets and liabilities by level
 (Values in €thousands)

		Level 1		Level 2		Level 3		Total	
		31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Available-for-sale financial assets		17.706.795	-	1.190.139	-	-	-	18.896.934	-
Financial assets at fair value through profit or loss	Financial assets held for trading	97.765	-	94.237	-	-	-	192.002	-
	Financial assets designated at fair value through profit or loss	84.105	-	8.379.001	-	-	-	8.463.106	-
Total		17.888.665	-	9.663.377	-	-	-	27.552.042	-
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	15.779	-	10.783	-	-	-	26.562	-
	Financial liabilities designated at fair value through profit or loss	11.601	-	2.061.368	-	-	-	2.072.969	-
Total		27.380	-	2.072.151	-	-	-	2.099.531	-

PREMAFIN FINANZIARIA S.p.A.
Holding di Partecipazioni
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AT 31 DECEMBER 2009
BOARD OF STATUTORY AUDITORS'
REPORT

**Board of Statutory Auditors' Report on the consolidated financial statements at 31
December 2009**

Dear Shareholders,

The consolidated financial statements of the Premafin Group were prepared on the basis of IAS/IFRS international accounting standards. Specifically, the financial statements and the notes to the financial statements were compiled according to the provisions of Legislative Decree 38/2005, adopting the format required by ISVAP Regulation 7 of 13 July 2007 as amended.

We acknowledge that the independent auditor prepared the respective report dated 6 April 2010 with no observations and making a request for information on the financial instruments classified as available for sale.

Milan, 8 April 2010

Read, confirmed and signed as follows.

The Board of Statutory Auditors

Vittorio De Cesare
(Chairman)

Antonino D'Ambrosio

Maria Luisa Mosconi

PREMAFIN FINANZIARIA S.p.A.
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INDEPENDENT AUDITOR'S REPORT

